

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

**EIOPA-BoS-
16/076**

Q72 – Q111

14 April 2016

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

No.	Name	Reference	Comment	Resolution
2.730.	OPSG	Q72	The OPSG sees no role for the HBS to be used in pillar 1. There is more justification for application of the HBS for pillar 2 than for pillar 1, if it should be used at all. When it would be applied in pillar 2, it would make more sense to include all security and adjustment mechanisms, even if these are not legally binding, than in pillar 1. In pillar 1, on the one hand, only the inclusion of "hard" balance sheet items seems defensible, but on the other hand, the exclusion of other elements would make the HBS "un-holistic". Therefore, in pillar 2 a fuller picture of the financial position of the IORP and a higher level of market consistency can be reached than in pillar 1, where there is ample ground to exclude "softer" steering mechanisms (like benefit cuts).	Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency. EIOPA considers that the common

		<p>The issues with regard to the specifications of the HBS, especially the valuation of balance sheet items on the HBS and more consistency across the EU, need to be solved before it can be decided whether the HBS can be used in any risk based framework at all. Achieving consensus on these issues would probably already be a great challenge, but even if successful, the HBS would not need to be imposed to achieve EU capital/funding requirements.</p> <p>Proportionality will also be an issue. Since the HBS is a complex method, even if the information could have added value, the calculations can be so complex and costly that it is not a cost effective instrument to use for supervision.</p> <p>Since the HBS seems to be cost ineffective, the OPSG would give in consideration also to investigate other possible instruments like ALM, stress test, continuity analysis to test the financial position of IORPs. Another reason to develop other instruments is that it is very unlikely that – if the HBS can be properly developed and would have added value – the HBS will be the sole supervisory instrument.</p> <p>The market consistent valuation poses a problem. Either a full stochastic valuation is used or simplifications. On the one hand, the stochastic valuation is complex, expensive and would use concepts like risk-neutral valuation. The concept of risk-neutral valuation makes providing insights in the future development of the IORP too complicated and is therefore not useful to calculate the capital requirements over one year. The HBS cannot easily be used to project the future funding position and give probabilities on the likelihood of possible outcomes. On the other hand, the simplifications by their nature will, at best, give approximations of</p>	<p>framework can be used in practice following the further work on the specifications and after having tested the revised specifications in the QA.</p> <p>EIOPA subscribes to the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach. In particular, to reduce the burden on small and medium-sized IORPs.</p> <p>EIOPA believes that the common framework has added value. However, it is not intended to replace existing national risk-management tools.</p>
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			<p>the market value, with as a consequence that the capital requirements will be a proxy as well.</p> <p>The use of HBS in a risk based supervisory framework may lead to undesirable behaviour from the perspective of the IORP and from a supervisory perspective. Based on this framework an IORP would take extra risk in poor times, because an IORP that is highly underfunded could improve the HBS by taking extra risk. This extra risk would not have a big impact on the conditional benefits (like conditional indexation) that is part of the HBS. The benefit reduction option on the other hand would increase with risk taking as this option will get more “in the money”.</p>	
2.731.	100 Group of Finance Directors	Q72	<p>Q72: If it was decided to establish EU capital/funding requirements as part of pillar 1, would there in the stakeholders’ view be a role for the holistic balance sheet? Please explain why and, if yes, what that role should be.</p> <p>The 100 Group remains opposed to the idea of applying a regime based on Solvency II to IORPs (and to the use of the holistic balance sheet as a mechanism for applying such a regime). We believe that this will be damaging to the provision of pensions to employees, leading to the closure of defined benefits IORPs to future accrual and the provision of lower quality pensions in future. It would also discourage other countries from establishing defined benefit provision. We believe that this cuts directly against the EC’s goal of ensuring adequate pension provision across the EU.</p> <p>The application of a solvency regime to pensions would also have very damaging consequences for employers sponsoring pension</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.</p>

			<p>schemes, who could see increased funding deficits and higher contribution demands, which would leave them with lower assets to invest in growth and jobs. Furthermore, if European companies are compelled to divert a substantial amount of their capital into funding their pension schemes on a solvency basis, it is likely to mean that they will be unable to compete effectively with non-European companies.</p> <p>As well as the effect on individual sponsors, the introduction of a solvency regime could also have substantial impacts on the economy as a whole with pension schemes likely to reduce their holdings in equities in favour of debt investment. This runs counter to the EU's current focus on encouraging long-term market investment. EIOPA must be aware that the impact of implementing its holistic balance sheet could go far beyond individual pension schemes.</p> <p>We do not believe that EU capital/funding requirements should be introduced as part of Pillar I and therefore do not believe that the holistic balance sheet should be used for such a purpose.</p>	
2.732.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q72	<p>We are of the opinion that the current rules of the existing IORP directive regarding funding and capital requirements are adequate. A market-oriented HBS and risk-based SCR should not be introduced as it would not be appropriate for IORPs. BUT if nevertheless more Solvency II-oriented concepts would be introduced the existing security mechanisms of IORPs (SS, PPS, Benefit reductions) should definitely be considered within such a thing as the HBS. But we strongly suggest that in this case the balancing item approach should play an adequate role as</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk</p>

			<p>exempting from superfluous aspects (see our answer to Q39). Also, grandfathering and a high degree of possible simplifications would be key. For many components a meaningful approach could only be specified on a Member State or even IORP level.</p> <p>We also want to mention that those examples for the use of the HBS where actually financial assets are required against Level A technical provisions and only SCR may be covered by Sponsor Support or PPS (i.e. example 1) the main driver of the quantitative impact of the proposed regulations will be market consistent valuation and the risk free discount rate used to calculate the best estimate of liabilities. The remaining items are less influential. The consequences would be – as analysed by EIOPA too, see i.e. 5.86 – an enormous cost increases for sponsors (and not only recognized as balance sheets items for IORPs) as well as detrimental macroeconomic effects result:</p> <ul style="list-style-type: none"> <input type="checkbox"/> increased call on business funds, due to the role of employers as guarantors of 'defined benefit' pensions in several EU states <input type="checkbox"/> Consequences of additional funding: significant negative impacts on capital spending, corporate cash flow, corporation tax payments, wages and employment <input type="checkbox"/> more modest impacts on employee pension contributions, procurement, prices and dividend payments <p>See also our answer to Q85 on this topic.</p>	<p>assessment and transparency.</p> <p>EIOPA subscribes to the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach. In particular, to reduce the burden on small and medium-sized IORPs.</p>
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		<p>The answers to Q39 and Q 85 were:</p> <p>Q39: 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 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</p>	
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		<p>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> <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> <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</p>	
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		<p>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 (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</p>	
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			<p>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 Minister Steve Webb (Webb-Report) indicating a funding shortfall in the UK of</p>	
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			<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)	
2.733.	ACA	Q72	No. The existing funding regime is already satisfactory in this area and the level of complexity introduced by the holistic balance sheet is unlikely to improve the overall outcomes for members (and may have a negative impact in terms of level and type of retirement provision to be provided).	Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.
2.734.	Actuarial Association of Europe	Q72	The concept of a HBS is attractive, as it would enable supervisors “to take into account these (national) specificities of IORPS by allowing for the full range of security and benefit adjustment mechanisms to be recognised” (5.4) in an EU-wide consistent framework. However, as was demonstrated by the QIS, there are many practical difficulties in producing a HBS: under some assumptions it may never balance (where sponsor support is subject to credit risk), and in others it may always balance (where unlimited benefit reductions are applicable). In addition, the quantification of sponsor support is a complex issue which in many cases will require the adoption of simplifications which mean that it may no longer be market consistent. Although this consultation	Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.

			<p>may enable EIOPA to develop its thinking on the valuation issues which caused difficulty in the QIS, it is our view that a robust, meaningful and fully holistic HBS is unachievable.</p> <p>Furthermore, the HBS provides a “snapshot” at a point in time, and does not provide useful insight into the future development of the pension promises or likely capital requirements.</p> <p>Against this background, we would question whether it is appropriate to use the an EU wide HBS as the determinant of pillar 1 requirements, and would suggest that member states should be able to set these at national level, recognising the specificities and background the IORPs in that country, in accordance with a principles-based framework (i.e. some refinement of the existing IORP provisions).</p>	
2.735.	AEIP	Q72	<p>AEIP does not see a need to amend the capital requirements established by the IORP I directive. Indeed, the Holistic Balance Sheet and the SCR should not be implemented for Pillar 1.</p> <p>As argued in the general remarks, the use of the HBS for capital requirements is conceptually wrong for at least three fundamental reasons. First, 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. Second, an SCR has no place on the HBS as all benefits and financing methods are included in the HBS. Consequently, for a complete “contract” the HBS automatically balances, and a SCR would always imply a deficit on the EIOPA Balance Sheet (EBS = HBS+net SCR). Third, as all</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency. The common framework is not intended to replace existing national risk-management tools.</p>

			<p>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.</p> <p>As argued in the general remarks, the HBS is not suited as an instrument for transparency towards scheme members 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>As capital requirements are neither part of the pension promise nor of the financing of this promise, there is no place for capital charges on the HBS. This is easiest explained for a simple contract with a finite horizon where the participants get all revenues of the fund when it is closed. If the stochastic simulations for the HBS are conducted over the full lifetime of the contract, the HBS exactly balances. The current value of assets is exactly balanced by the current value of 'unconditional' liabilities plus the profit sharing option minus the loss sharing option (benefit reductions). If the simulation horizon ends before the end of the contract there generally is a residual. This residual represents transfers to or from the generations that are still in the fund after the simulation</p>	
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			<p>horizon. The EIOPA Balance Sheet (EBS = HBS+net SCR) can only be positive if the net SCR is smaller than the residual. This means that irrespective of the starting financial situation, current members should always make a transfer to future generations. This cannot be regarded as in the benefit of the participants. The longer the simulation horizon, the smaller the value of the residual (as the transfers are discounted), and therefore the less likely the EBS will balance.</p> <p>Prudential supervision should focus on unconditional promises. In Solvency II, the mistake was made to also require capital for conditional promises, even if these promises are conditional on the future financial health of the insurance company (profit sharing). Consequently, there is a double charge for risk taking under Solvency II. First, more risk increases downside risk and therefore a higher SCR is required. Second, more risk also increases upward potential and thereby the profit sharing option. Where the first requirement makes perfect sense, the second does not. Either a company makes a profit and so will have the money to share a part of it, or there is no profit and in that case also no promise to pay anything. For insurance companies this mistake might be circumvented by formulating contracts in such a way that this may be discarded (contract boundaries), or by simply not promising profit sharing any more. For pension funds (for instance in the Netherlands) the mistake is more binding however as conditional indexation is an important aspect of the pension agreement. Even if a pension fund has a strong sponsor who is willing to finance a deficit due to the value of the indexation option, the Solvency II balance sheet will not work as it is dynamically inconsistent as extra contributions of the sponsor will increase the indexation option. This process can continue up until indexation is almost fully guaranteed, but this is clearly at odds with the agreed conditionality of the indexation. In the EBS, one tries to correct this</p>	
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			<p>conceptual mistake by adding compensating options that are available to pension funds to finance future deficits, namely benefit reductions and sponsor support. In general, it is rarely a good idea to compensate mistakes by compensating mistakes. Here it is not different. With respect to benefit reductions, it is doubtful whether a supervisor (who should protect pensions of current and future participants) should disregard pension promises simply because these promises are no longer likely to be met. Moreover, as options are less sensitive to changes in volatility if they are far out of the money, the relative attractiveness of risk taking as a function of the financial health of the fund is contrary to the desired situation from a supervisory point of view. If the fund is highly underfunded, the indexation option is far out of the money and extra risk taking will hardly affect this value. The benefit reduction option on the other hand will increase with risk taking as this option is more in the money. For a fund with a large surplus, it is the other way around. Consequently, risk taking is less attractive for a rich fund than for a poor one. Again, this seems contrary to a good policy for consumer protection.</p> <p>To conclude, the best solution to circumvent the mistake of Solvency II is not to enlarge the balance sheet, but to shrink it to just the unconditional promises.</p>	
2.736.	ALSTOM	Q72	<p>Q72: If it was decided to establish EU capital/funding requirements as part of pillar 1, would there in the stakeholders' view be a role for the holistic balance sheet? Please explain why and, if yes, what that role should be.</p> <p>We strongly reject the idea of establishing EU capital/funding requirements for IORPs and do not believe the holistic balance</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and</p>

			<p>sheet should be used for this purpose or any other. The existing funding and supervisory regimes in individual Member States should already provide sufficient protection for members/participants and the principle of Member State subsidiarity should be observed. Amending these has associated costs (both initial and ongoing) and no demonstrable additional benefit. It would also ensure that any existing DB plans were closed and that no new DB plans were opened. Any plan to harmonise regimes is unsuitable and will be detrimental to long term investment, growth and job prospects in the EU.</p>	<p>transparency.</p>
2.737.	Aon Hewitt	Q72	<p>We are still not convinced that the HBS offers a fully transparent view of the extent to which obligations can be supported by assets and other mechanisms. The HBS tries to combine, and mix up, the position upon insolvency as well as on a going concern. At the very least, these ought to be separated. If an insolvency event actually occurs, then the HBS would have potentially given a misleading position. If it does not, then an excessive surplus could arise (leading to inefficient use of company capital). An alternative approach, which we would like EIOPA to consider, is to show a range of HBS figures at different points in time under 2 scenarios: (1) Going concern and (2) Insolvency. The HBS upon insolvency would show the position if insolvency were to occur on the valuation date; the HBS for a going concern would show the position assuming no future insolvency, Projections of the HBS could then be made, say, 5 and 10 years into the future and, at these dates, the position upon insolvency and upon going concern is also shown. Separating the position upon insolvency and a going concern basis would allow users to see the potential amount of assets available were an insolvency event to occur at these dates. Users could combine this with estimates of insolvency at these dates to see if there is adequate protection.</p>	<p>Noted.</p>

2.738.	Association of Pension Lawyers	Q72	It is difficult to comment on the appropriate role for the HBS, if it were decided to establish EU capital/funding requirements as part of pillar 1, because there are too many variables in issue. It is not clear why capital/funding requirements should be set at an EU level for IORPs that do not operate cross-border and are not in any sense market participants or open to consumers. The reasons for setting capital/funding requirements at an EU level and the level chosen would be likely to determine the merit of using the HBS to satisfy such capital/funding requirements.	Noted.
2.740.	Atradius Credit Insurance NV	Q72	<p>We strongly reject the idea of establishing EU capital/funding requirements for IORPs.</p> <p>The existing funding and supervisory regimes in individual Member States should already provide sufficient protection for members/participants. Amending these has associated costs (both initial and ongoing) and no demonstrable additional benefit. Any plan to harmonise regimes is unsuitable and will be detrimental to long term investment, growth and job prospects in the EU</p>	Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.
2.741.	BAPI	Q72	<p>Q72 :If it was decided to establish EU capital/funding requirements as part of pillar 1, would there in the stakeholders' view be a role for the HBS? Please explain why and, if yes, what that role should be.</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</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.</p> <p>EIOPA subscribes to</p>

		<p>proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>If it was decided to establish new harmonized EU capital/funding requirements, than we believe the HBS has a role. Under this scenario it is important that besides the financial assets, the sponsor support and the pension protection schemes can be used to cover the funding/capital requirements.</p> <p>As stated before, we do not believe in a harmonization of capital/funding requirements across EU. Such approach would totally ignore the variety of pension systems and their broader environment in the different EU Member States.</p> <p>Furthermore we believe the HBS approach is too immature and the consequences of the HBS are still too understudied to use the HBS to set funding/capital requirements. The market consistent approach to the HBS is acceptable from a theoretical point of view, but in practice the notion "market" does not always exists for every sponsor/IORP relation (e.g. non rated, multi-employer, local subsidiary of multinational group, etc...). This makes the determination of the probabilities of defaults rather arbitrary which in the end makes the value for the sponsor support in the HBS artificial and questionable. We fear the impact of the HBS might be very negative and may lead to a dismantling of pension schemes/occupational pension accrual, a further shift of risk</p>	<p>the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing approach. In particular, to reduce the burden on small and medium-sized IORPs.</p>
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			<p>towards members and beneficiaries (DB to DC) and a declining offer of long term investment with negative consequences on development and growth.</p> <p>Therefore we see the HBS more as one of the possible risk management tools. Especially for small and medium sized IORPs other methods (like ALM studies, stress tests, etc...) might be more appropriate.</p>	
2.742.	Barnett Waddingham LLP	Q72	<p>We are unconvinced of the rationale for setting harmonised solvency requirements at European level and remain fundamentally opposed to the holistic balance sheet approach as envisaged by EIOPA.</p> <p>We consider that current funding requirements strike an appropriate balance between security and flexibility. The introduction of EU-wide capital/funding requirements would likely accelerate the current decline in defined benefit pension provision and result in pensions in which the member bears more risk – i.e. the security of members' benefits would be compromised.</p>	Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.
2.743.	BASF SE	Q72	<p>As explained in the General Remarks we do not think that a Solvency II like market consistent approach is appropriate for setting equity capital requirements for IORPs.</p> <p>The existing local rules have proven to be sufficient.</p>	Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.
2.744.	Better Finance	Q72	Option 2 (as described in 5.31 and 5.32), where the HBS could serve to help identify minimum funding requirements for IORPs which would be required to have sufficient assets to cover technical	Noted.

			provisions seems feasible in the first phases.	
2.746.	British Telecommunications plc	Q72	<p>Q72: If it was decided to establish EU capital/funding requirements as part of pillar 1, would there in the stakeholders' view be a role for the holistic balance sheet? Please explain why and, if yes, what that role should be.</p> <p>We strongly reject the idea of establishing EU capital/funding requirements for IORPs as part of Pillar 1 and do not believe the holistic balance sheet should be used for this purpose or any other. The existing funding and supervisory regimes in individual Member States should already provide sufficient protection for members/participants and the principle of Member State subsidiarity should be observed. Amending these has associated costs (both initial and ongoing) and no demonstrable additional benefit. It will be damaging to the provision of pensions to employees, leading to the likely closure of defined benefits IORPs to future accrual and discouraging future defined benefit provision. This cuts directly against the EC's goal of ensuring adequate pension provision across the EU.</p> <p>The application of a solvency regime to pensions would also have very damaging consequences for employers sponsoring pension schemes, who could see increased funding deficits and higher contribution demands, which would leave them with a reduced ability to invest in growth and jobs. Furthermore, if European companies are compelled to divert a substantial amount of their capital into funding their pension schemes on a solvency basis, it will lead to reduced competitiveness compared with non-European companies.</p>	Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.

			<p>As well as the effect on individual sponsors, the introduction of a solvency regime could also have substantial impacts on the economy as a whole with pension schemes likely to reduce their holdings in equities in favour of debt investment. This runs counter to the EU's current focus on encouraging long-term market investment. EIOPA must be aware that the impact of implementing its holistic balance sheet could go far beyond individual pension schemes. Overall therefore, any plan to introduce solvency funding is unsuitable and will be detrimental to long term investment, growth and job prospects in the EU.</p>	
2.747.	Candriam	Q72	<p>If it was decided to establish EU capital/funding requirements as part of pillar 1, would there in the stakeholders' view be a role for the holistic balance sheet? Please explain why and, if yes, what that role should be.</p> <p>We are not in favour of EU capital/funding requirement for IORPs and no political agreement seems even close to be achieved on this issue.</p> <p>The QIS demonstrated that in most cases the HBS failed to provide sensible valuations. The artificial complexity, the embedded inconsistencies and circularities make it opaque and unworkable. The different types of pension arrangements in Europe and consequent interpretations have made the results impossible to compare between countries. And the HBS – like the market value of a long term benefits – is too complex to be useful information for members and beneficiaries.</p>	Noted.

			<p>We think therefore the HBS will not yield sensible valuations, so it is not adapted for pillar 1. For the same reasons, we do not see the benefits of using the HBS for pillar 2. Considering the complexity of the valuations and the numerous arbitrary parameters involved, we reject the idea of using the HBS for pillar 3 purpose as it will not be informative for most of IORPs members.</p>	
2.748.	Compass Group PLC	Q72	<p>Q72: If it was decided to establish EU capital/funding requirements as part of pillar 1, would there in the stakeholders' view be a role for the holistic balance sheet? Please explain why and, if yes, what that role should be.</p> <p>Compass Group is opposed to the idea of applying a regime based on Solvency II to IORPs (and to the use of the holistic balance sheet as a mechanism for applying such a regime). We believe that this will be damaging to the provision of pensions to employees, leading to the closure of defined benefits IORPs to future accrual and the provision of lower quality pensions in future. It would also discourage other countries from establishing defined benefit provision. We believe that this cuts directly against the EC's goal of ensuring adequate pension provision across the EU.</p> <p>The application of a solvency regime to pensions would also have very damaging consequences for employers sponsoring pension schemes, who could see increased funding deficits and higher contribution demands, which would leave them with lower assets to invest in growth and jobs. Furthermore, if European companies are compelled to divert a substantial amount of their capital into</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.</p>

			<p>funding their pension schemes on a solvency basis, it is likely to mean that they will be unable to compete effectively with non-European companies.</p> <p>As well as the effect on individual sponsors, the introduction of a solvency regime could also have substantial impacts on the economy as a whole with pension schemes likely to reduce their holdings in equities in favour of debt investment. This runs counter to the EU's current focus on encouraging long-term market investment. EIOPA must be aware that the impact of implementing its holistic balance sheet could go far beyond individual pension schemes.</p> <p>We do not believe that EU capital/funding requirements should be introduced as part of Pillar I and therefore do not believe that the holistic balance sheet should be used for such a purpose.</p>	
2.749.	D & L Scott	Q72	<p>I consider it neither appropriate nor necessary to establish EU capital/funding requirements for IORPs, as part of Pillar 1. The existing funding and supervisory regimes in individual Member States should already provide sufficient protection for members and other beneficiaries. The United Kingdom supervisory regime, while still evolving in certain respects, does not appear to have deficiencies which need addressing further at EU level.</p> <p>Some of the IORPs for which I act as one of the trustees are shared cost arrangements with 40% of total contributions, including in many cases those required to meet any shortfall of assets relative to technical provisions, being met by contributing members to the</p>	Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.

			<p>schemes. Members and their trades unions would have very serious concerns that any EU capital/funding requirements for IORPs and proposed «adjustment mechanisms» could have a very significant and adverse financial impact on them (as well as on the businesses of the IORP employer and government sponsors). Many members may effectively be forced to leave the scheme because of unaffordable (and, in my view, unnecessary) levels of required contributions.</p>	
2.750.	EAPSPI	Q72	<p>EAPSPI is of the opinion that the current rules of the existing IORP directive regarding funding and capital requirements are adequate. A market-oriented HBS and risk-based SCR should not be introduced. BUT if nevertheless more Solvency II-oriented concepts were introduced, the existing security mechanisms of IORPs (sponsor support, PPS, benefit reductions) should definitely be considered within the HBS. But EAPSPI suggests that in this case the balancing item approach should play an adequate role without the need for complex and time consuming calculations (see EAPSPI's answer to Q39).</p> <p>EAPSPI also wants to mention that those examples for the use of the HBS where real financial assets are required against Level A technical provisions and only SCR may be covered by Sponsor Support or PPS (i.e. example 1) the main driver of the quantitative impact of the proposed regulations will be market consistent valuation and the risk free discount rate used to calculate the best estimate of liabilities. The remaining items are less influential. The consequences would be – as analysed by EIOPA too, see 5.86 – enormous cost increases for sponsors (and not only recognized as balance sheet items for IORPs) as well as detrimental macroeconomic effects:</p> <p><input type="checkbox"/> increased call on business funds, due to the role of</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.</p> <p>balancing item approach EIOPA subscribes to the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach. In particular, to reduce the burden on small and medium-sized IORPs.</p>

			<p>employers as guarantors of 'defined benefit' pensions in several EU states</p> <p><input type="checkbox"/> Consequences of this additional funding: significant negative impacts on capital spending, corporate cash flow, corporation tax payments, wages and employment</p> <p><input type="checkbox"/> more modest impacts on employee pension contributions, procurement, prices and dividend payments</p> <p>See also EAPSPI'S answer to Q85 on this topic.</p>	
2.751.	EEF	Q72	<p>We are fundamentally opposed to any suggestion of establishing capital/funding requirements. The effect would be to increase the funding liabilities so much for UK companies they are no longer profitable. Such a regime would lead to a major increase in the employer cost of providing DB schemes - even if closed to future accrual. So additional solvency requirements would act as a further incentive for employers to stop providing DB schemes.</p> <p>Also, there would be a significant effect on financial markets if pension schemes were to move away from riskier investments (such as equities) into safer investments (such as gilts). There would be a major impact on growth, as the resources available for jobs and investment, etc would be reduced.</p>	Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.
2.752.	EVCA	Q72	<ul style="list-style-type: none"> We are concerned that the potential application of the Solvency II - style requirements to IORPS might be inappropriate and disproportionate for a long-term asset class like private equity. 	Noted.

			<p><input type="checkbox"/> However if it were decided to establish new capital requirements for IORPs the market-consistent approach should not be limited to a pure mark-to-market valuation for all investments as this is not always appropriate, or indeed technically correct. It is necessary to ensure that a reasonable approach to valuing all investment assets is taken within the framework of a market consistent approach. When valuing assets which are not marketable it is normal to modify the approach in order to maintain the integrity of the valuation methodology. Without such a modification the frameworks proposed would have an adverse impact on economic growth and long-term investment, as a result of IORPs reducing the flow of capital for investment in non-listed companies, in particular small- and medium-sized companies.</p> <p><input type="checkbox"/> Private equity is an asset class which adds value to a pension fund portfolio through a high degree of diversification. A pension fund typically invests in a number of private equity funds. As each private equity fund typically invests in a number of portfolio companies over a three to five year investment period, the pension fund is able to build up a highly diversified portfolio of privately held companies. These companies operate in different industries, countries or even continents and are in different life cycles of their business. With only a few private equity fund investments, the average pension fund holds a portfolio of privately held companies, which then have the backing they need to grow.</p> <p><input type="checkbox"/> Private equity is a long-term asset class that focusses on the long-term growth of the companies in which it invests. Hence, it is very different to hedge fund strategies. The lifetime of a private equity fund is also typically around 10 years and as there are no</p>	
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			<p>possibilities for early redemption the companies receiving investments are given time to develop their growth strategies over many years.</p> <p><input type="checkbox"/> For assets such as private equity which are not publicly traded then, in accordance with accepted analytical methodologies, a mark-to-model rather than mark-to-market methodology should be taken. Without such a modification within the market-consistent framework for valuation, there is a risk that both IORPs and the broader health of the European economy will be adversely affected as a result of IORPs reducing or ceasing investment in private equity.</p> <p><input type="checkbox"/> EIOPA (and the Commission) have acknowledged that IORPs are suppliers of long-term capital to the European economy through investments in assets such as private equity. Private equity is an asset which benefits IORPs by being a return seeking asset and benefits the wider economy by providing long-term capital to the economy and helps build sustainable businesses. It is also an asset which is not publicly-traded and so has no recognized market value as required in a market-approach to valuation. But a simple and academically accepted modification, by means of the mark-to-model approach, would enable private equity to fit more logically within a market-consistent framework.</p> <p><input type="checkbox"/> IORPs most generally gain exposure to private equity via a portfolio of unlisted funds. These unlisted funds do not have the characteristics required to apply a market-based approach to valuing them. But with a widely-recognized modification it is possible to fit a non-marketable asset class into market-based</p>	
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			<p>framework.</p> <ul style="list-style-type: none"> <input type="checkbox"/> When it is not possible to use a market-based approach a mark-to-model approach is generally adopted, i.e. the valuation is identified by reference to benchmarking and extrapolation. It also requires independent verification of the values used. The private equity industry has set down international guidelines on valuation based on such an approach which have widely been adopted across the industry (and in academic research on the industry) and used for many years. <input type="checkbox"/> Unless a modified approach to determining the “market value” of private equity assets is taken within the HBS framework, then IORPs will be deterred from considering investing in the asset class on behalf of their beneficiaries. We believe this will have a detrimental impact for all stakeholders in the IORP, by reducing the scope to generate real returns to meet liabilities, thus potentially reducing security to beneficiaries and increasing costs. <input type="checkbox"/> In addition, if IORPs reduce their allocation or cease to allocate assets to private equity it will have a detrimental impact on the provision of long-term capital to European companies with the subsequent adverse consequences for the health of the European economy. In 2013, private equity industry invested more than EUR 35 billion in approximately 5,000 companies in Europe. More that 87% of all private equity investments are in SMEs and this is investment that yields real benefits for the economy. 	
2.753.	Eversheds LLP	Q72	Eversheds does not support the introduction of the Holistic Balance	Partially agreed,

		<p>Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>No, on the basis that we think that it should be left to Member States to develop a robust system of solvency, risk management and protection for IORPS, which is suited to the specificities of IORPs within their Member State. Several Member States, such as the UK and the Netherlands, already have robust risk management and protection systems in place for IORPs and, rather than attempting to introduce a new regime, EIOPA’s focus should be on ensuring that those Member States that do not currently have sufficiently robust systems in place take action to address this.</p> <p>Given the diversity of the 28 different pension systems within the EU and of the different IORPs within those systems, we do not think that a one-size-fits-all approach is appropriate and, instead, in light of the doctrine of subsidiarity we think that the prudential regulation of IORPs should be dealt with at Member State level.</p> <p>In addition, EIOPA’s own Quantitative Impact Study demonstrated that the original Holistic Balance Sheet proposal would (on the benchmark scenario) have increased the deficits of UK defined benefit schemes by £150 billion. This would overstate the extent of DB deficits in the UK (and similarly in other Member States) principally through the use of an unnecessarily exacting discount rate regime. This would be a very significant blow to the sustainability of DB schemes in the UK (and other Member States) and, in the UK, it would very likely force the closure of the</p>	<p>EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency. In addition, it is advised that any supervisory actions based on the outcomes of the common framework should be taken by national supervisors to avoid one-size-fits-all approach.</p>
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2.754.	FFSA	Q72	<p>FFSA supports the introduction of risk-based capital requirements for IORPs to allow members and beneficiaries of occupational pension schemes, independently of the provider, to benefit from standards of protection.</p> <p>The HBS is a starting point to calculate Pillar I requirements.</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and</p>

				transparency.
2.755.	FSUG	Q72	Option 2 (as described in 5.31 and 5.32), where the HBS could serve to help identify minimum funding requirements for IORPs which would be required to have sufficient assets to cover technical provisions seems feasible in the first phases.	Noted.
2.756.	FVPK	Q72	<p>If it was decided to establish EU capital/funding requirements as part of pillar 1, would there in the stakeholders' view be a role for the holistic balance sheet? Please explain why and, if yes, what that role should be.</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p> <p>No, FVPK does not see a role for the HBS in funding requirements as part of pillar 1 for Austrian IORPs.</p> <p>As stated in the General Remarks the amount of optional additional guarantees is quite neglectable so the complete procedure establishing and valuating a HBS is overdone in Austria.</p>	Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.
2.757.	GDFSUEZ	Q72	Q72: If it was decided to establish EU capital/funding requirements as part of pillar 1, would there in the stakeholders' view be a role for the holistic balance sheet? Please explain why and, if yes, what that role should be.	Partially agreed, EIOPA advises not changing capital or funding requirements at this

			<p>We strongly reject the idea of establishing EU capital/funding requirements for IORPs and do not believe the holistic balance sheet should be used for this purpose or any other. The existing funding and supervisory regimes in individual Member States should already provide sufficient protection for members/participants and the principle of Member State subsidiarity should be observed. Amending these has associated costs (both initial and ongoing) and no demonstrable additional benefit. It would also ensure that any existing DB plans were closed and that no new DB plans were opened. Any plan to harmonise regimes is unsuitable and will be detrimental to long term investment, growth and job prospects in the EU.</p>	<p>point in time, but to introduce a common framework for risk assessment and transparency.</p>
2.758.	GDV	Q72	<p>If it was decided to establish EU capital/funding requirements as part of pillar 1, would there in the stakeholders' view be a role for the holistic balance sheet? Please explain why and, if yes, what that role should be.</p> <p>EIOPA's work on the holistic balance sheet is an interesting starting point to investigate the risks borne by IORPs and sponsors in order to enhance the protection of members and beneficiaries. It is of utmost importance that the specificities of IORPs are taken into account appropriately and different pension schemes are treated consistently.</p> <p>The GDV always assumed that the HBS is designed as a basis for calculation of the capital requirements for IORPs. An application of it as a risk management tool does not seem to be appropriate.</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.</p>

			<p>However, it needs to be analysed thoroughly whether and how the HBS reflects the risks of different types of IORPs and sponsors. Therefore, a quantitative impact study is necessary to thoroughly assess the impact of HBS on different IORPs.</p>	
2.759.	GE	Q72	<p>Components of supervisory framework</p> <p>If it was decided to establish EU capital/funding requirements as part of pillar 1, would there in the stakeholders' view be a role for the holistic balance sheet? Please explain why and, if yes, what that role should be.</p> <p>We strongly reject the idea of establishing EU capital/funding requirements for IORPs. The existing funding and supervisory regimes in individual Member States should already provide sufficient protection for members/participants. Amending these has associated costs (both initial and ongoing) and no demonstrable additional benefit. Any plan to harmonise regimes is unsuitable and will be detrimental to long term investment, growth and job prospects in the EU.</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.</p>
2.760.	GE Pension Trustees Limited	Q72	<p>Components of supervisory framework</p> <p>If it was decided to establish EU capital/funding requirements as part of pillar 1, would there in the stakeholders' view be a role for the holistic balance sheet? Please explain why and, if yes, what that role should be.</p> <p>No. We strongly reject the idea of establishing EU capital/funding</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.</p>

			<p>requirements for IORPs. The existing funding and supervisory regimes in individual Member States should already provide sufficient protection for members/participants. Amending these has associated costs (both initial and ongoing) and no demonstrable additional benefit. Indeed, there is significant risk that members of IORPS will receive lower benefits than would otherwise be provided to them under the current framework. Any plan to harmonise regimes is unsuitable and will be detrimental to long term investment, growth and job prospects in the EU.</p>	
2.762.	Heathrow Airport Limited	Q72	<p>Q72: If it was decided to establish EU capital/funding requirements as part of pillar 1, would there in the stakeholders' view be a role for the holistic balance sheet? Please explain why and, if yes, what that role should be.</p> <p>Heathrow Airport remains opposed to the idea of applying a regime based on Solvency II to IORPs (and to the use of the holistic balance sheet as a mechanism for applying such a regime). We believe that this will be damaging to the provision of pensions to employees, leading to the closure of defined benefits IORPs to future accrual and the provision of lower quality pensions in future. It would also discourage other countries from establishing defined benefit provision. We believe that this cuts directly against the EC's goal of ensuring adequate pension provision across the EU.</p> <p>The application of a solvency regime to pensions would also have very damaging consequences for employers sponsoring pension schemes, who could see increased funding deficits and higher contribution demands, which would leave them with lower assets to invest in growth and jobs. Furthermore, if European companies are</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.</p>

			<p>compelled to divert a substantial amount of their capital into funding their pension schemes on a solvency basis, it is likely to mean that they will be unable to compete effectively with non-European companies.</p> <p>As well as the effect on individual sponsors, the introduction of a solvency regime could also have substantial impacts on the economy as a whole with pension schemes likely to reduce their holdings in equities in favour of debt investment. This runs counter to the EU's current focus on encouraging long-term market investment. EIOPA must be aware that the impact of implementing its holistic balance sheet could go far beyond individual pension schemes.</p> <p>We do not believe that EU capital/funding requirements should be introduced as part of Pillar I and therefore do not believe that the holistic balance sheet should be used for such a purpose.</p>	
2.763.	Hoechst-Gruppe VVaG	Q72	<p>We are of the opinion that the current rules of the existing IORP directive regarding funding and capital requirements are adequate. A market-oriented HBS and risk-based SCR should not be introduced as it would not be appropriate for IORPs. BUT if nevertheless more Solvency II-oriented concepts would be introduced the existing security mechanisms of IORPs (SS, PPS, Benefit reductions) should definitely be considered within such a thing as the HBS. But we strongly suggest that in this case the balancing item approach should play an adequate role as exempting from superfluous aspects (see our answer to Q39). Also, grandfathering and a high degree of possible simplifications would be key. For many components a meaningful approach could only be</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.</p>

		<p>specified on a Member State or even IORP level.</p> <p>We also want to mention that those examples for the use of the HBS where actually financial assets are required against Level A technical provisions and only SCR may be covered by Sponsor Support or PPS (i.e. example 1) the main driver of the quantitative impact of the proposed regulations will be market consistent valuation and the risk free discount rate used to calculate the best estimate of liabilities. The remaining items are less influential. The consequences would be – as analysed by EIOPA too, see i.e. 5.86 – an enormous cost increases for sponsors (and not only recognized as balance sheets items for IORPs) as well as detrimental macroeconomic effects result:</p> <ul style="list-style-type: none"> <input type="checkbox"/> increased call on business funds, due to the role of employers as guarantors of 'defined benefit' pensions in several EU states <input type="checkbox"/> Consequences of additional funding: significant negative impacts on capital spending, corporate cash flow, corporation tax payments, wages and employment <input type="checkbox"/> more modest impacts on employee pension contributions, procurement, prices and dividend payments <p>See also our answer to Q85 on this topic.</p> <p>The answers to Q39 and Q 85 were: Q39: Given its serious concerns against a possible introduction of a</p>	<p>EIOPA subscribes to the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach. In particular, to reduce the burden on small and medium-sized IORPs.</p>
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		<p>HBS structure for IORPs, we 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 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</p>	
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			<p>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> <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> <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>	
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			<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 (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</p>	
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			<p>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 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 	
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			<p>£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>	
2.764.	IFoA	Q72	<p>The IFoA has a number of concerns about the approaches to sponsor support valuations discussed in the consultation document. Our primary concern is that, contrary to the “level playing field” objective, the effect of these approaches on the sponsors of UK IORPs could be more onerous than the Solvency II capital requirements for the same expected cashflows, when underwritten by an insurance company. We would urge EIOPA to conduct some case studies to examine this issue more fully.</p> <p>The legal framework for IORPs varies significantly between MS, so it will be difficult to find definitions that work across the EU, and even where such definitions are possible they will necessarily be so complex that substantial legal input will be required to implement them and this will have profound implications for the cost-effectiveness of the proposals and will risk stifling innovation.</p> <p>This variation in legal frameworks– largely a consequence of labour and social law – leads us to believe that solvency requirements in particular should be delegated to MS as far as possible.</p>	<p>Noted.</p> <p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.</p>
2.765.	IVS	Q72	<p>At a theoretical level, yes: Assuming all pension-specific elements of the HBS are taken properly into account in principle, the HBS can provide a workable framework for EU-wide and therefore consistent</p>	<p>Partially agreed, EIOPA advises not changing capital or funding</p>

		<p>capital/funding requirements. It may then be referred to as holistic since it would recognize all the specifics that differentiate IORPs from other institutions such as insurers.</p> <p>At a practical level, no: For a start, the descriptions of the models are incomplete (e.g. no indication of confidence level to be applied, exactly what is meant by each component of the HBS, simplifications, reasonable proportionality and transition arrangements). Thus, we cannot provide definitive answers for lack of detail.</p> <p>The essential reason being that it is clear that the state of development of the HBS is still incomplete, intransparent and not completely thought through (see below).</p> <p>We appreciate that, with respect to the HBS, the consultation has apparently been conducted in a much more circumspect and diligent way than the first QIS. But it would be irresponsible to test it in the market in the form of a QIS when a number of important issues concerning the HBS have not even been addressed conceptually and from the point of view of practical application: for example (not a complete list)</p> <ul style="list-style-type: none"> (i) the very concept is still fundamentally under consideration (witness the 6 very different models being presented for comment) (ii) it should be clearly stated what the HBS is not: it is not a balance sheet in the sense of a statement of financial position (since it contains contingent liabilities and doesn't necessarily always balance); neither may it be holistic (since 4 out of 5 of the quantitative models exclude PPS and/or non-legally enforceable sponsor support). Rather than a balance sheet for the IORP, we understand that the HBS is intended as a holistic view of the IORP from a member's / beneficiary's point of view. If so, we believe that this principle should be expressly stated in Eiopa's documentation in order to avoid misunderstandings. Following on from this logic, 	<p>requirements at this point in time, but to introduce a common framework for risk assessment and transparency.</p> <p>Eiopa considers that the common framework can be used in practice following the further work on the specifications and after having tested the revised specifications in the QA. However, this does not mean there is no room for further development/improvement.</p>
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			<p>the label « HBS » is then a misnomer and should be amended to « holistic prudential framework (HPF) » on condition that the adjective “holistic” is justifiable.</p> <p>(iii) most importantly, the question about the suitability of the HBS/HPF can seriously only be answered once all significant elements of the HPF have been thought through – from what we can see this is effectively lacking at present</p> <p>(iv) a number of elements of the HBS/HPF are yet to be explored to an extent that a robust model exists (e.g. risk margin, for which we see little basis if one considers the specific characteristics of most IORPs)</p> <p>(v) the debate as to whether to include TPs on the basis of level A or level B assumptions has not really been robustly held</p> <p>Since we believe that the concept of the HBS/HPF for IORPS has not been fully consulted on, any choice for one alternative would thus very probably be incomplete and misleading.</p>	
2.766.	Jane Marshall Consulting	Q72	<p>The rationale for establishing EU capital/funding requirements is unclear. As has been stated on numerous occasions by industry figures and social partners, company pension schemes are not the same as insurance companies. Membership is restricted to employees of the company and schemes are not open to general consumers. They cannot be said to be in competition with insurance companies. The concern about regulatory arbitrage between different financial service sectors which has been expressed in some quarters is overstated. It is difficult to see how this could have any effect in practice.</p> <p>The failure of an IORP (as where the sponsor becomes insolvent)</p>	Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.

			<p>does not create the same systemic issues created by the failure of an insurance company or a bank. EU law already provides protection for employees' pension rights where an IORP fails.</p> <p>No single market issue therefore arises if regulation is made at the national rather than EU level. A single market issue may on the contrary arise if EU requirements are introduced which unnecessarily and disproportionately affect business in certain member states, given that any mischief which the requirements are intended to address is adequately covered by the law and regulation in those member states.</p> <p>The introduction of EU capital/funding requirements on top of or replacing national prudential law and regulation, bringing as it would additional cost, regulation and reduced corporate flexibility will accelerate the closure of open final salary schemes. For those which are already closed to new entrants or to accrual the 'two tier' work force issue would be greatly exacerbated. The more a business must devote to the legacy final salary scheme the less there will be to invest, and to create and maintain jobs, good salaries and pension provision for employees who are not in the legacy final salary scheme. We are not suggesting that sponsors should have a free hand in the financing of their schemes. We have made clear our belief in strong governance (which in the UK requires informed trustee boards with an independent mindset) within a robust regulatory framework. We are however concerned at the prospect of funds being unnecessarily tied up.</p> <p>If such funding requirements were to be introduced it is likely that investment markets would be affected as trustee boards sought to</p>	
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			<p>focus on certain asset classes in order to reduce risk. The general economy would also be affected by the need for sponsors to tailor their corporate investment to ensure that EU solvency requirements were met.</p> <p>Business is needed to help people throughout the EU enjoy a comfortable retirement. Individuals are not generally able to achieve this on their own, and member states are constrained in what can be publicly provided. It makes no sense at all for additional burdens to be placed on businesses at EU level when rigorous regulation at a national level (reflecting a national consensus of the right balance of risk between sponsors, taxpayers and individuals) is in place.</p> <p>It follows that we believe the whole concept of the holistic balance sheet is misguided. As IORPs are not open to all consumers it is not necessary to have a mechanism to compare IORPs so that consumers can make an informed decision between them. In those few member states with a substantial number of IORPs, members, social partners and stakeholders are familiar with the complexities of their national law and regulation and there is increasing emphasis in such systems on transparency and risk.</p> <p>When many member states have an under-developed IORP sector, the emphasis at EU level should be on encouraging a simple and achievable method of encouraging more employer-sponsored provision, rather than devising complex and costly regulation which is unlikely to add to the security of existing IORP members but will certainly add to the costs of those responsible employers who sponsor them.</p>	
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			<p>If contrary to good sense EU capital/funding requirements were to be established, those requirements including the holistic balance sheet, should relate only to new IORPs. Existing IORPs should be exempt from any such obligation in those member states where there was a robust regulatory system with a protective back up in a form which complies with EU law in the event of employer insolvency.</p>	
2.769.	NAPF	Q72	<p>Q72: If it was decided to establish EU capital/funding requirements as part of pillar 1, would there in the stakeholders' view be a role for the holistic balance sheet? Please explain why and, if yes, what that role should be.</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 strongly oppose the introduction of EU-level capital requirements for pension schemes.</p> <p>EIOPA's own Quantitative Impact Study demonstrated that the original Holistic Balance Sheet proposal would (on the benchmark scenario) have increased the deficits of UK defined benefit schemes by €176 billion (c.£150 billion) even after allowance had been made for the additional support provided by sponsors and the Pension Protection Fund. This would have overstated the extent of DB deficits in the UK, principally through the use of an unnecessarily</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency. In addition, it is advised that any supervisory actions based on the outcomes of the common framework should be taken by national supervisors to avoid one-size-fits-all approach.</p>

			<p>exacting discount rate regime and the inclusion of a solvency capital requirement. This would be highly damaging to the sustainability of DB schemes and would very likely force the closure of the remaining 14 per cent of schemes still open to new members and the complete closure of many of the 50 per cent still open to further accrual by existing members.</p> <p>The NAPF is also concerned that the HBS proposal is set against a very diverse set of 28 different national pension systems. Although the present consultation goes much further than previous proposals in terms of allowing flexible implementation by national supervisors, this important (and welcome) change undermines the purpose of the whole project, which was originally intended to allow greater comparability of pension schemes across Europe through a more harmonised regulatory system. If pensions regulation is to be determined at national level (as the NAPF thinks it should – and it is a Member State competence), then there can be no justification for an EU-wide Holistic Balance Sheet system.</p> <p>The European Central Bank has warned that a HBS-based regulatory regime could undermine investment in growth assets and push more investment towards low-risk bonds . This is a significant critique, directly relevant to Europe’s economic future, and the NAPF urges EIOPA to take careful note of it.</p>	
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2.772.	Pensioenfederatie	Q72	<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 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>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency. The common framework is not intended to replace other national risk-management tools.</p>
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			<p>No, the HBS should show the current market value (assuming there is a complete market, which is not the case) of all conditional and unconditional pension promises and the way these promises are backed by current assets and conditional future payments (or benefit reductions).</p> <p>As capital requirements are neither part of the pension promise nor of the financing of this promise, there is no place for capital charges on the HBS. This can easily be explained by means of a simple contract with a finite horizon offering the participants all revenues of the fund, if it is closed. If stochastic simulations for the HBS are conducted over the full lifetime of the contract, the HBS exactly balances. The current value of assets is exactly balanced by the current value of 'unconditional' liabilities plus the profit sharing option minus the loss sharing option (benefit reductions). If the simulation horizon ends before the end of the contract there generally is a residue. This residue represents transfers to or from the generations that are still in the fund after the simulation horizon. The EIOPA Balance Sheet ($EBS = HBS + \text{net SCR}$) can only be positive if the net SCR is smaller than the residue. This means that irrespective of the financial starting position, current participants should always make a transfer to future generations. This cannot be regarded as beneficial for the participants. The longer the simulation horizon, the smaller the value of the residue (as the transfers are discounted), and therefore the less likely it will be that the EBS will balance.</p> <p>Prudential supervision should focus on unconditional promises. In Solvency II, the mistake was to also require capital for conditional</p>	
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			<p>promises, even if these promises are conditional on the future financial health of the insurance company (profit sharing). Consequently, there is a double charge for risk taking under Solvency II. First, more risk increases downside risk and therefore a higher SCR is required. Second, more risk also increases upward potential and thereby the option of profit sharing. Where the first requirement makes perfect sense, the second does not. Either a company is making profit and hence will have the money to share a part of it, or there is no profit and in that case also no promise to pay anything. For insurance companies this mistake might be circumvented by formulating contracts in such a way that this may be discarded (contract boundaries), or by simply not promising profit sharing any more. For pension funds (at least in the Netherlands) the mistake is more binding as conditional indexation is an important aspect of the pension agreement. Even if a pension fund has a strong sponsor who is willing to finance a deficit due to the value of the option to grant indexation, the Solvency II balance sheet will not work, since it is dynamically inconsistent, because extra contributions of the sponsor will increase the option to grant indexation. This process can continue until indexation is almost fully guaranteed, but this is clearly at odds with the agreed conditionality of the indexation. In the EBS, one tries to correct this conceptual mistake by adding compensating options available to pension funds to finance future deficits such as benefit reductions and sponsor support. In general, it is rarely a good idea to compensate mistakes by compensating mistakes. This is not different in this case.</p> <p>With respect to benefit reductions, it is doubtful whether a supervisor (who should monitor the protection of current and future participants' pensions) should disregard pension promises simply because these promises are no longer likely to be met. Moreover,</p>	
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			<p>as options are less sensitive to volatility changes if they are far out of the money, from a supervisory point of view the relative attractiveness of risk taking as a function of the financial health of the fund is contrary to the desired situation. If the fund is highly underfunded, the option to grant indexation is far out of the money and extra risk taking will hardly affect this value. The option of benefit reduction on the other hand will increase with risk taking as this option is more in the money. For a fund with a large surplus, it works the other way around. Consequently, risk taking is less attractive for a rich fund than for a poor one. Again, this seems contrary to a good policy from the point of view of protecting current and future participants.</p> <p>To conclude, the best solution to circumvent the mistake of Solvency II is not to enlarge the balance sheet, but to limit it to just unconditional promises.</p>	
2.773.	PensionsEurope	Q72	<p>If it was decided to establish EU capital/funding requirements as part of pillar 1, would there in the stakeholders' view be a role for the holistic balance sheet? Please explain why and, if yes, what that role should be.</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, PensionsEurope does not see a role for the HBS in funding requirements as part of pillar 1.</p> <p>The HBS should show what the current market value is (assuming there is a complete market, which is not the case) of all conditional and unconditional pension promises, and the way these promises are backed by current assets and conditional future payments (or benefit reductions).</p> <p>As capital requirements are neither part of the pension promise nor of the financing of this promise, there is no place for capital charges in the HBS. This is easily explained for a simple agreement with a finite horizon where the participants get all revenues of the fund when it is closed. If the stochastic simulations for the HBS are conducted over the full lifetime of the agreement, the HBS exactly balances. The current value of assets is exactly balanced by the current value of 'unconditional' liabilities plus the profit sharing option minus the loss sharing option (benefit reductions). If the simulation horizon ends before the end of the agreement there generally is a residual. This residual represents transfers to or from the generations that are still in the fund after the simulation horizon. The EIOPA Balance Sheet ($EBS = HBS + net\ SCR$) can only be positive if the net SCR is smaller than the residual. This means that irrespective of the starting financial situation, current members should always make a transfer to future generations. This cannot be regarded as in the benefit of the participants. The longer the simulation horizon, the smaller the value of the residual (as the transfers are discounted), and therefore the less likely the EBS will balance.</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.</p>
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			<p>Prudential supervision should focus on unconditional promises. In Solvency II, the mistake was made to also require capital for conditional promises, even if these promises are conditional on the future financial health of the insurance company (profit sharing). Consequently, there is a double charge for risk taking under Solvency II. First, more risk increases downside risk and therefore a higher SCR is required. Second, more risk also increases upward potential and thereby the profit sharing option. Where the first requirement makes perfect sense, the second does not. Either a company makes a profit and so will have the money to share a part of it, or there is no profit and in that case also no promise to pay anything. For insurance companies this mistake might be circumvented by formulating agreements in such a way that this may be discarded (contract boundaries), or by simply not promising profit sharing any more. For IORPs the mistake is more binding however as conditional indexation is an important aspect of the pension agreement (for example in the Netherlands).</p> <p>Even if a pension fund has a strong sponsor who is willing to finance a deficit due to the value of the indexation option, the Solvency II balance sheet will not work as it is dynamically inconsistent as extra contributions of the sponsor will increase the indexation option. This process can continue up until indexation is almost fully guaranteed, but this is clearly at odds with the agreed conditionality of the indexation. In the EBS, one tries to correct this conceptual mistake by adding compensating options that are available to pension funds to finance future deficits, namely benefit reductions and sponsor support.</p> <p>In general, it is seldomly a good idea to compensate mistakes by</p>	
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			<p>compensating mistakes. Here it is not different. With respect to benefit reductions, it is doubtful whether a supervisor (who should protect pensions of current and future participants) should disregard pension promises simply because these promises are no longer likely to be met. Moreover, as options are less sensitive to changes in volatility if they are far out of the money, the relative attractiveness of risk taking as a function of the financial health of the fund is contrary to the desired situation from a supervisor point of view. If the fund is highly underfunded, the indexation option is far out of the money and extra risk taking will hardly affect this value. The benefit reduction option on the other hand will increase with risk taking. For a fund with a large surplus, it is the other way around. Consequently, risk taking is less attractive for a rich fund than for a poor one. Again, this seems contrary to a good policy for members and beneficiaries' protection. The best solution to circumvent the mistake of Solvency II is not to enlarge the balance sheet, but to shrink it to just to unconditional promises.</p> <p>PensionsEurope notes that the HBS only provides insight in the current valuation of assets (under current market conditions), pension promises and security mechanisms and does not provide an insight on their future development - therefore also not on the capital requirements over one year. The valuation of all kind of options on HBS requires complex valuation methods like risk-neutral valuation which only gives the current valuation of the expected cash flows. The HBS can be seen as a picture of the current financial position of the IORP (at current market conditions), but it cannot be used as a forward-looking view to see the development of that financial position going forward.</p> <p>Also, the use of HBS in a risk-based supervisory framework may</p>	
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		<p>lead to undesirable behaviour from the perspective of both the IORP and supervisory authorities. Indeed, based on this framework, an IORP would take extra risk during bad economic cycles, because an IORP that is highly underfunded could improve the HBS by taking extra risk. This extra risk would not have a big impact on the conditional benefits (like conditional indexation) that is part of the HBS. The benefit reduction option on the other hand would increase with risk taking as this option will get more 'in the money'.</p> <p>Moreover, PensionsEurope considers proportionality as a crucial issue since the HBS is a very complex method. Even if the information arising from the HBS would have an added value, the calculations can be so complex and costly that it is not a cost-effective instrument for supervisory purposes. As highlighted many times by PensionsEurope, we call EIOPA to consider also other options that are currently already in place such as Asset-Liability Management (ALM) studies, stress tests, continuity analysis etc. in order to analyse the financial position of IORPs.</p> <p>We stress the introduction of the HBS as pillar 1 would have consequences such as – as analysed by EIOPA too, see i.e. 5.86 – enormous cost increases for sponsors (and not only recognised as balance sheets items for IORPs) as well as detrimental macro-economic effects result:</p> <ul style="list-style-type: none"> <input type="checkbox"/> increased call on business funds, due to the role of employers as guarantors of defined benefit pensions in several EU Member States; <input type="checkbox"/> significant negative impacts on capital spending, corporate 	<p>EIOPA subscribes to the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach. In particular, to reduce the burden on small and medium-sized IORPs.</p> <p>The common framework is not intended to replace other national risk-management tools.</p>
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			<p>cash flow, corporation tax payments, wages;</p> <ul style="list-style-type: none"> <input type="checkbox"/> members' benefit reductions <input type="checkbox"/> macro-economic impact on growth, employment and sustainability of public debt <p>In our opinion, this could lead to further closure of defined benefits (often collective) schemes in particular where sponsoring undertakings and employers are voluntary offering such schemes as human resources management.</p>	
2.774.	PERNOD-RICARD	Q72	<p>Q72: If it was decided to establish EU capital/funding requirements as part of pillar 1, would there in the stakeholders' view be a role for the holistic balance sheet? Please explain why and, if yes, what that role should be.</p> <p>We strongly reject the idea of establishing EU capital/funding requirements for IORPs and do not believe the holistic balance sheet should be used for this purpose or any other. The existing funding and supervisory regimes in individual Member States should already provide sufficient protection for members/participants and the principle of Member State subsidiarity should be observed. Amending these has associated costs (both initial and ongoing) and no demonstrable additional benefit. It would also ensure that any existing DB plans were closed and that no new DB plans were opened. Any plan to harmonise regimes is unsuitable and will be detrimental to long term investment, growth and job prospects in the EU.</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.</p>

2.775.	Punter Southall	Q72	No. The existing funding regime is already sufficient and has been proven to work in challenging economic conditions. The additional complexity introduced by the holistic balance sheet is unlikely to improve overall outcomes for members and may have a negative impact in terms of the level and type of retirement provision available.	Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.
2.778.	RPTCL	Q72	<p>We do not consider it appropriate or necessary to establish EU capital/funding requirements for IORPs, as part of pillar 1. The existing funding and supervisory regimes in individual member states should already provide sufficient protection for members/participants and we are not aware of any major deficiencies in the system used by our IORPs, for example, that need addressing in this way.</p> <p>The majority of the IORPs where RPTCL is a trustee are shared cost arrangements with 40% of total contributions, including in many cases those required to meet any shortfall of assets relative to technical provisions, being met by contributing members to the schemes. In our case, there are around 85,000 such members and RPTCL has concerns that any EU capital/funding requirements for IORPs and the adjustment mechanisms could have a very significant and adverse financial impact on these people (and the sponsors themselves). Indeed, some may effectively be forced to leave the scheme.</p>	Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.
2.779.	Society of Pension Professionals	Q72	<p>Components of supervisory framework</p> <p>If it was decided to establish EU capital/funding requirements as part of pillar 1, would there in the stakeholders' view be a role for</p>	

		<p>the holistic balance sheet? Please explain why and, if yes, what that role should be.</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>We strongly reject the idea of establishing EU capital/funding requirements for IORPs. We have seen no compelling argument that this is necessary. The existing combination of funding and supervisory regimes in individual Member States already provide adequate protection for members/participants. Amending these has associated significant costs (both initial and on-going) and no demonstrable additional benefit. Any plan to harmonise regimes is wholly unsuitable given the completely different role that pillar II (occupational/employer-sponsored) provision has in relation to</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency. In addition, it is advised that any supervisory actions based on the outcomes of the common framework should be taken by national supervisors to avoid one-size-fits-all approach.</p>
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			<p>pillar I (State) provision across the various Member States. Aside from the actual cost of changing existing ,funding' and ,security' mechanisms, any change that could lead to an increase in capital that should be held by IORPs would be detrimental to long term investment, growth and job prospects in the EU.</p> <p>In our view, the ,HBS' is a useful guiding framework that individual Member States might want to incorporate into their supervisory regimes as a form of risk-management or potentially disclosure tool.</p>	
2.781.	Towers Watson	Q72	<p>Components of supervisory framework</p> <p>If it was decided to establish EU capital/funding requirements as part of pillar 1, would there in the stakeholders' view be a role for the holistic balance sheet? Please explain why and, if yes, what that role should be.</p> <p>We strongly reject the idea of establishing EU capital/funding requirements for IORPs. The existing funding and supervisory regimes in individual Member States should already provide sufficient protection for members/participants. Amending these has associated costs (both initial and on-going) and no demonstrable additional benefit. Any plan to harmonise regimes is unsuitable and will be detrimental to long term investment, growth and job prospects in the EU.</p>	Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.
2.782.	United Utilities Group	Q72	<p>Q72: If it was decided to establish EU capital/funding requirements as part of pillar 1, would there in the stakeholders' view be a role for the holistic balance sheet? Please explain why and, if yes, what that role should be.</p> <p>We do not support the idea of applying a regime based on Solvency</p>	Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk

			<p>II to IORPs (and to the use of the holistic balance sheet as a mechanism for applying such a regime). We believe that this will be damaging to the provision of pensions to employees and that the UK already has a robust governance and regulatory pensions framework.</p> <p>The application of a solvency regime to pensions would have very damaging consequences for employers sponsoring pension schemes, who could see increased funding deficits and higher contribution demands, which would leave them with lower assets to invest in growth and jobs.</p> <p>We do not believe that EU capital/funding requirements should be introduced as part of Pillar I and therefore do not believe that the holistic balance sheet should be used for such a purpose.</p>	<p>assessment and transparency.</p>
2.783.	USS Limited	Q72	<p>USS Limited does not believe that the HBS will improve the security of benefits for members at a time when there are significant issues that DB pension schemes in relevant European member states face such as persistent low yields on gilts and increased longevity.</p> <p>We have not had sufficient assurance that the HBS will contribute to providing sustainable and adequate pension systems. We have concerns that the following consequences could materialise, all of which are interlinked:</p> <p>Company decisions</p>	<p>Noted, EIOPA subscribes to the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing approach. In particular, to reduce the burden on small and medium-sized IORPs.</p>

			<p>With greater resources required to be allocated to pension scheme funding there will be fewer resources available for sponsors for capital investment and expansion and a downward pressure on wages. Any DB schemes open to accrual are likely to close and increased cash for DB schemes will reduce the amount available to provide alternative future provision.</p> <p>Broader economic effects</p> <p>With the real economy potentially suffering from lower economic growth and fewer job opportunities this could prevent the fulfillment of the objectives outlined most recently by the Juncker commission, in tandem with the Europe 2020 strategy. Pension funds that could potentially be harnessed to finance infrastructure and other vital capital projects would be threatened by a flight to gilts – and the high demand will further increase gilt prices and depress the yield.</p> <p>Regulatory environment</p> <p>HBS would appear to be at odds with the desire of the EC to encourage growth, investment and job creation within the real economy in Europe. A measured approach to the regulation of pension scheme funding must be borne in mind given the ongoing development of IORP II (which includes a Risk Evaluation for Pensions). Over-regulation of pension schemes will inhibit jobs growth. Furthermore, entrenching DB pensions within only the public sector, because only the government can afford them, also creates an imbalance in the economy.</p>	
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			<p>Employment/member effects</p> <p>Workers who do not lose their DB pensions might find they cost more through increased contribution rates and/or become less generous. Workers that have to stay in employment longer and defer retirement also act as a potential impediment to investing in the employment of younger workers.</p> <p>However, if a HBS is introduced, it is important that it is proportionate and does not place undue burdens on DB pension schemes. It is not clear that this is the case as outlined in the current consultation paper as the outcomes of the HBS differ widely according to examples listed (see questions 99 and 109).</p>	
2.784.	ZVK-Bau	Q72	<p>We strongly object any new EU capital/Funding requirements. The political and economic implications are devastating for DB plans and neither in the interests of members and beneficiaries or sponsors nor the economy as a whole. But if despite all warnings these requirements find their way into the prudential framework all security mechanism available have to be recognised.</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.</p>
2.785.	OPSG	Q73	<p>The OPSG thinks there would be more justification for application of the HBS for pillar 2 than for pillar 1, if it should be used at all. When applied in pillar 2, it would make much more sense to include all security and adjustment mechanisms, even if these are not legally binding, than in pillar 1. Therefore, in pillar 2 a fuller picture of the financial position of the IORP and a higher level of market consistency can be reached than in pillar 1, where there is ample</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk</p>

			<p>ground to exclude “softer” steering mechanisms (like benefit cuts).</p> <p>Risk management should provide insight in the development of the solvency situation of the IORP over time. However, the HBS only provides insight in the current valuation and not in the projections of capital requirements. The valuation of all kind of options on HBS, like sponsor support (conditional on future funding status), conditional benefits (like conditional indexation) and benefit cuts (conditional on too low future funding), requires complex valuation methods like risk-neutral valuation. Risk-neutral valuation only is able to give a current valuation of the cash flows, but cannot be used to predict future cash flows. Since predicting future cash flows is impossible, the HBS cannot be used to project the future funding position and give probabilities on the likelihood of possible outcomes.</p> <p>In the Netherlands however, the concept behind the HBS is used to look at fairness of the pension deal across stakeholders (especially across generations). This would be a possible use of the HBS or of its underlying concept. Therefore the implementation of the HBS is not possible in pillar 1 and has a very limited use in pillar 2 and 3.</p>	<p>assessment and transparency.</p>
2.786.	100 Group of Finance Directors	Q73	<p>Q73: Do stakeholders believe that the holistic balance sheet should be used as a risk management tool as part of pillar 2 requirements? 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>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.</p>

			<p>We do not believe that the case has been made for introducing a holistic balance sheet at all. However, if one is to be produced, then it is clearly preferable and less damaging to pension schemes, sponsors and the economy if these (possibly meaningless) numbers are used as part of a risk management process rather than to drive the funding of pension schemes.</p> <p>It should be noted, however, that the draft text of the revised IORP directive already contains a risk management tool in the form of the Risk Evaluation for Pensions. We believe that a qualitative assessment along the lines proposed in the Risk Evaluation for Pensions would form a much more effective tool that is better able to address the specificities of individual IORPs and sponsors.</p>	
2.787.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q73	<p>We do not believe that the application of the HBS approach leads to additional security for pensions. On the contrary, the additional burdens will reduce both the benefits and the commitment of employers to provide occupational pensions. Any valuation and risk management that is based on a one-year-view send the wrong message to anyone running an IORP.</p> <p>If the HBS was to be used as a risk management tool in the second pillar, it would have to be used without public disclosure and in combination with the use of the balancing item approach. Minimum funding requirements and valuation standards should continue to be according to the current IORP Directive. Regulatory consequences of the HBS analysis within the risk management should be determined by national supervisors (i.e. recovery plans</p>	Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency. The common framework includes public disclosure, but any supervisory actions based on the outcomes of the common

			<p>with long recovery periods). The requirements of Art. 29 of the Council's General Approach regarding IORP II from 10 December 2014 regarding risk evaluation for pensions are sufficient.</p> <p>It must be safeguarded that the use of the HBS will not be broadend step by step: in a first step an introduction as risk management tool in pillar 2 followed by the second step to use the HBS for strict harmonization of valuation and funding. We strongly warn against this kind of development.</p>	<p>framework should be taken by national supervisors.</p> <p>Eiopa subscribes to view that proportionate application is needed, allowing for simplifications, such as balancing item approach.</p>
2.788.	ACA	Q73	<p>No. The risk evaluation for pensions, as currently proposed, requiring competent authorities to specify the details, provides a potentially much more valuable tool for considering risk management in a way that is relevant to IORPs in different member states.</p>	<p>Noted.</p>
2.789.	Actuarial Association of Europe	Q73	<p>We recognise the importance of the pillar 2 requirements and would support the use of a "holistic framework" as one of the approaches by reference to which IORPs could be required to demonstrate sustainability and risk management, perhaps as part of the proposed "risk evaluation for pensions". National supervisors could specify (and could refine as best practice emerges) some minimum requirements required and it would be for IORPs to undertake their own assessment and report to the supervisors, who would have the power to seek additional information if they had concerns about the sustainability of the IORP.</p> <p>It may be thought that the costs of developing a complex "holistic framework" would outweigh the benefits and we recommend that this be assessed in the next QIS. Alternative tools such as ALM or continuity testing might be more cost-efficient.</p>	<p>Agreed, Eiopa advises that national supervisory authorities are afforded sufficient powers to take action based on the outcomes of the common framework.</p> <p>In addition to the QA, Eiopa conducted an impact assessment/cost benefit analysis of its opinion. Moreover, Eiopa envisages a proportionate</p>

				application of the framework allowing for simplifications to minimise the burden on small- and medium-sized IORPs.
2.790.	AEIP	Q73	<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>The HBS could possibly be used as an instrument for risk management to obtain more insights in relative risks of the balance sheet, but less complex methods like ALM, continuity analysis and stress tests would better achieve this goal. In theory, the HBS could shed some light on the relative importance of the different recovery mechanisms of pension funds. One of the preconditions for this theory is however that the market is complete, which is clearly not (and never will be) the case. Moreover, the calculation of these options is far from trivial, and therefore costly. This consultation document offers numerous simplifications to calculate a HBS. The result of these calculations is just a balance sheet without any logical economic interpretation as the interaction</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency. The common framework includes public disclosure, which is not the same as information towards plan members. However, interested plan members would be able to access the information, like all other interested parties.</p>

			<p>between balance sheet items is lost and because the assumed option prices disregard the price of risk (the expected payout on an insurance policy is not equal to the premium) and simplifications of one balance sheet item will also impact the valuation of other balance sheet items.</p> <p>Another issue is that the HBS will only give the current valuation but no projections.</p>	
2.791.	ALSTOM	Q73	<p>Q73: Do stakeholders believe that the holistic balance sheet should be used as a risk management tool as part of pillar 2 requirements? Please explain.</p> <p>No, use of the HBS should not be mandated. IORPs should be able to develop risk-assessment and risk-management tools that are appropriate to the specific circumstances of their arrangements. At an EU-level, any requirements under pillar 2 should be principles-based, determined by local supervisors and should not stipulate the HBS as the only appropriate risk management tool, as there will be other, more suitable, tools available to different IORPs.</p>	<p>Partially agreed, EIOPA recommends a common framework for risk assessment and transparency, but this is not intended to replace other risk-management tools.</p> <p>Moreover, any supervisory actions will be determined by national supervisors.</p>
2.792.	Aon Hewitt	Q73	<p>The HBS could be used, but it should not be the only risk management tool. We note that the proposed new IORP Directive contains a number of measures in relation to risk management. We do not see a specific need for new legislation to require the use of the HBS. If the HBS can be seen to be a useful risk management tool, then we see no need why it cannot be used by IORPS and supervisors in current legislative environments.</p>	Noted.
2.793.	Association of Pension Lawyers	Q73	<p>1. Again, this depends on the risk management responses available as part of Pillar 2 and what is meant by the question.</p>	Agreed, EIOPA advises that national

			<p>2. In principle, we would agree that the HBS can provide a method for assessing the risk to pension liabilities.</p> <p>3. The determination of the appropriate supervisory response in response to any failure to balance the HBS is, however, a separate question which would need further consideration.</p> <p>4. Also, the fact that it can be used and may be useful within a certain regulatory context (i.e., subject to the nature and adequacy of other regulatory requirements and risk management tools) does not mean that it should be used given the complexity and cost of developing and applying appropriate methodologies – as is shown by the complexity of the issues in this consultation document.</p>	<p>supervisory authorities are afforded sufficient powers to take action based on the outcomes of the common framework.</p> <p>In addition to the QA, EIOPA conducted an impact assessment/cost benefit analysis of its opinion. Moreover, EIOPA envisages a proportionate application of the framework allowing for simplifications to minimise the burden on small- and medium-sized IORPs.</p>
2.795.	Atradius Credit Insurance NV	Q73	<p>IORPs should be able to develop risk-assessment and risk-management tools that are appropriate to the specific circumstances of their arrangements. At an EU-level, any requirements under pillar 2 should be principles-based and should not stipulate the HBS as the only appropriate risk management tool, as there may be more other, more suitable tools available to different IORPs.</p>	<p>Partially agreed, EIOPA recommends a common framework for risk assessment and transparency, but this is not intended to replace other risk-management tools.</p>
2.796.	BAPI	Q73	<p>Q73: Do stakeholders believe that the HBS should be used as a risk management tool as part of pillar 2 requirements? Please explain.</p>	<p>Partially agreed, EIOPA envisages a proportionate</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 HBS might be used as risk management tool for IORPs but is for reasons of proportionality it is not suitable for all IORPs. For most small and medium sized IORPs, other tools such as ALM studies, Continuity Tests and Stress Tests might be more appropriate.</p>	<p>application of the common framework allowing for simplifications to minimise the burden on small- and medium-sized IORPs.</p> <p>Moreover, member states may choose not to apply the common framework to small IORPs and lower the frequency for calculations and reporting from 1 to 3 years.</p>
2.797.	Barnett Waddingham LLP	Q73	<p>No. The current draft of the revision to the IORP Directive contains sufficient provision on risk evaluation. We would prefer risk management requirements to be determined by national regulators who will have an understanding of the appropriate background, taking into account proportionality for smaller schemes.</p>	<p>Noted.</p> <p>EIOPA opinion specifies that any supervisory actions should be determined by national supervisors. Moreover, EIOPA subscribes to proportionate approach</p>

				to minimise burden on smaller IORPs.
2.798.	BASF SE	Q73	<p>We do not believe that the application of the HBS approach produces additional security for pensions. On the contrary, the additional burdens will reduce both the benefits and the commitment of employers to provide occupational pensions.</p> <p>The HBS should therefore not be used as a risk management tool.</p>	Noted.
2.799.	Better Finance	Q73	<p>Better Finance thinks that using HBS in Pillar 2 should be the best starting point of implementation as it could lead to a higher transparency of governance for all parties involved and serve as a risk management tool. It should be noted that Pillars 2 and 3 may be interconnected and HBS could help in this way.</p>	Agreed, EIOPA advises common framework for risk assessment and transparency.
2.801.	British Telecommunications plc	Q73	<p>Q73: Do stakeholders believe that the holistic balance sheet should be used as a risk management tool as part of pillar 2 requirements? Please explain.</p> <p>There has been no compelling case made for introducing a holistic balance sheet at all. It should not therefore be used for pillar 1 or extended in any way as a possible risk management tool as part of pillar 2.</p> <p>The draft text of the revised IORP directive already contains a risk management tool in the form of the Risk Evaluation for Pensions. As such, IORPs should be able to develop risk-assessment and risk-management tools that are appropriate to the specific circumstances of their arrangements. At an EU-level, any requirements under pillar 2 should be principles-based, determined</p>	<p>Partially agreed, the common framework proposed by EIOPA does not intend to replace other risk-management tools. Moreover, it specifies that any supervisory action will be determined by national regulators.</p>

			by local supervisors and should not stipulate the HBS as the only appropriate risk management tool, as there will be other, more suitable, tools available to different IORPs.	
2.802.	Candriam	Q73	<p>Do stakeholders believe that the holistic balance sheet should be used as a risk management tool as part of pillar 2 requirements? Please explain.</p> <p>As it has proved to be inefficient for valuation purpose, the HBS should not be used as a mandatory tool for risk management. EIOPA could propose a revised and simplified HBS to the IORPs who want to use it but risk management details should be left to member states in order to be adapted to local specificities. Pillar 2 requirements at EU level should remain principle based.</p>	Partially agreed, EIOPA opinion specifies that any supervisory actions should be determined by national supervisors. Moreover, EIOPA subscribes to proportionate approach, allowing for simplifications.
2.803.	Compass Group PLC	Q73	<p>Q73: Do stakeholders believe that the holistic balance sheet should be used as a risk management tool as part of pillar 2 requirements? Please explain.</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 do not believe that the case has been made for introducing a holistic balance sheet at all. However, if one is to be produced, then</p>	Partially agreed, the common framework proposed by EIOPA does not intend to replace other risk-management tools. Moreover, it specifies that any supervisory action should be determined by national supervisors.

			<p>it is clearly preferable and less damaging to pension schemes, sponsors and the economy if these (possibly meaningless) numbers are used as part of a risk management process rather than to drive the funding of pension schemes.</p> <p>It should be noted, however, that the draft text of the revised IORP directive already contains a risk management tool in the form of the Risk Evaluation for Pensions. We believe that a qualitative assessment along the lines proposed in the Risk Evaluation for Pensions would form a much more effective tool that is better able to address the specificities of individual IORPs and sponsors.</p>	
2.804.	D & L Scott	Q73	<p>No. I have attempted to explain throughout these comments the limitations of a balance sheet approach, and also the unhelpfulness of stochastic modelling forwards from an initial balance sheet.</p> <p>A much better approach is based on forecasting and/or projecting cash flows as a basis for budgetary control and accountability to stakeholders.</p> <p>By way of analogy, it would be foolish to attempt to manage a retail business based on snapshots of its retail outlets. Far, far better to manage such a business – indeed, any business, including an IORP – by having a complete financial management plan, based on annual cash flows (and more frequent period cash flows if helpful to day-to-day management).</p> <p>The actuarial profession have historically presented trustees and</p>	Noted.

			<p>other fiduciaries with a balance sheet valuation. Prudent trustees should, however, go behind that valuation balance sheet to understand the nominal cash flows on which it is based. Some may argue the liability cash flows are easier to forecast than the asset cash flows, but that is not my experience.</p> <p>Asset cash flows can be forecast, especially when expected investment returns are decomposed in terms of investment income (yield plus growth), planned asset realisations and reinvestments (an efficient way to recycle realised investment capital to support future income and growth), as well as identifying transaction and management costs which accompany strategic management of the IORP investment portfolio.</p> <p>While I understand Basel II's use of three pillars – (1) minimum capital requirements, (2) supervisory review, and (3) market discipline – it is frankly confusing and unhelpful to trustees and other IORP fiduciaries when pensions are also analysed in terms of three pillars – (I) compulsory Member State Pension, usually funded from taxation and other fiscal policy on a pay-as-we-go basis ; (II) supplementary (and typically funded) occupational pension schemes, which often include some life assurance cover as well ; and (III) private savings, which may also include some life insurance.</p>	
2.805.	EAPSPI	Q73	EAPSPI is of the opinion that - if ever the HBS were to be introduced at all – the HBS should be used exclusively as a risk management tool (i.e. EAPSPI prefers option 3 or example 6 of EIOPA's suggestions on how to use the HBS) without public disclosure and in combination with the use of the balancing item approach. Minimum funding requirements and valuation standards	Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a

			<p>should continue to be according to the current IORP directive. Regulatory consequences of the HBS analysis within the risk management should be determined by national supervisors (i.e. recovery plans with long recovery periods).</p> <p>It must be ensured that the use of the HBS will not be extended step by step to be finally used to assess quantitative requirements: in a first step an introduction as risk management tool in pillar II followed by the second step to use the HBS for strict harmonization of valuation and funding.</p>	<p>common framework for risk assessment and transparency. The common framework includes public disclosure, but any supervisory actions based on the outcomes of the common framework should be taken by national supervisors.</p> <p>EIOPA subscribes to view that proportionate application is needed, allowing for simplifications, such as balancing item approach.</p>
2.806.	EEF	Q73	<p>If EIOPA and the European Commission were to insist on pressing ahead with the Holistic Balance Sheet, then the least worst option would be for it to be used as a risk management tool. However, there are already well established and adequate tools performing the same function and the case has not been made for duplicating that work.</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.</p> <p>The common framework does not intend to replace</p>

				existing risk management tools.
2.807.	EVCA	Q73	<ul style="list-style-type: none"> • We are concerned that the potential application of the Solvency II – style requirements to IORPS might be inappropriate and disproportionate for a long-term asset class like private equity. <p><input type="checkbox"/> However if it were decided to establish new requirements for IORPs the market-consistent approach should not be limited to a pure mark-to-market valuation for all investments as this is not always appropriate, or indeed technically correct. It is necessary to ensure that a reasonable approach to valuing all investment assets is taken within the framework of a market consistent approach. When valuing assets which are not marketable it is normal to modify the approach in order to maintain the integrity of the valuation methodology. Without such a modification the frameworks proposed would have an adverse impact on economic growth and long-term investment, as a result of IORPs reducing the flow of capital for investment in non-listed companies, in particular small- and medium-sized companies.</p> <p><input type="checkbox"/> For assets such as private equity which are not publicly-traded then, in accordance with accepted analytical methodologies, a mark-to-model rather than mark-to-market methodology should be taken. Without such a modification within the market-consistent framework for valuation, there is a risk that both IORPs and the broader health of the European economy will be adversely affected as a result of IORPs reducing or ceasing investment in private equity.</p>	Noted.

			<ul style="list-style-type: none"> <input type="checkbox"/> EIOPA (and the Commission) have acknowledged that IORPs are suppliers of long-term capital to the European economy through investments in assets such as private equity. Private equity is an asset which benefits IORPs by being a return seeking asset with low long-term risks and benefits the wider economy by providing long-term capital to the economy and helps build sustainable businesses. It is also an asset which is not publicly-traded and so has no recognized market value as required in a market-approach to valuation. But a simple and academically accepted modification, by means of the mark-to-model approach, would enable private equity to fit more logically within a market-consistent framework. <input type="checkbox"/> IORPs most generally gain exposure to private equity via a portfolio of unlisted funds. These unlisted funds do not have the characteristics required to apply a market-based approach to valuing them. But with a widely-recognized modification it is possible to fit a non-marketable asset class into market-based framework. <input type="checkbox"/> When it is not possible to use a market-based approach a mark-to-model approach is generally adopted, i.e. the valuation is identified by reference to benchmarking and extrapolation. It also requires independent verification of the values used. The private equity industry has set down international guidelines on valuation based on such an approach which have widely been adopted across the industry (and in academic research on the industry) and used for many years. <input type="checkbox"/> Unless a modified approach to determining the "market 	
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			<p>value” of private equity assets is taken within the HBS framework, then IORPs will be deterred from considering investing in the asset class on behalf of their beneficiaries. We believe this will have a detrimental impact for all stakeholders in the IORP, by reducing the scope to generate real returns to meet liabilities, thus potentially reducing security to beneficiaries and increasing costs.</p> <p><input type="checkbox"/> In addition, if IORPs reduce their allocation, or cease to allocate assets to private equity it will have a detrimental impact on the provision of long-term capital to European companies with the subsequent adverse consequences for the health of the European economy. In 2013, private equity industry invested more than EUR 35 billion in approximately 5,000 companies in Europe. More than 87% of all private equity investments are in SMEs and this is investment that yields real benefits for the economy.</p>	
2.808.	Eversheds LLP	Q73	<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>If EIOPA and the European Commission were to insist on pressing ahead with the Holistic Balance Sheet (contrary to our advice), then the best option would be to use it as a risk management tool (i.e. Example 6). It should be left to Member States to determine how this tool should then be used as part of their national pensions regulatory framework.</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency. Moreover, the opinion specifies that any supervisory action should be determined by national supervisors.</p>

2.809.	FFSA	Q73	Yes, the holistic balance sheet should be used as a risk management tool as part of pillar 2 requirements and also as a starting point to calculate Pillar I requirements.	Agreed, EIOPA advises common framework for risk assessment and transparency.
2.810.	FSUG	Q73	FSUG members think that using HBS in Pillar 2 should be the best starting point of implementation as it could lead to a higher transparency of governance for all parties involved and serve as a risk management tool. It should be noted that Pillars 2 and 3 may be interconnected and HBS could help in this way.	Agreed, EIOPA advises a common framework for risk assessment and transparency.
2.811.	FVPK	Q73	<p>Do stakeholders believe that the holistic balance sheet should be used as a risk management tool as part of pillar 2 requirements? Please explain.</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p> <p>FVPK does not believe that the application of the HBS approach produces additional security for pensions in Austria, as the pensions paid by Austrian IORPs are pure DC. Only the optional additional guarantees might be subject to an improvement of security for the employee. FVPK thinks that there are much less burdening procedures in risk management of the IORP having a better effect on the security for optional additional guarantees.</p>	<p>Noted.</p> <p>EIOPA subscribes to proportionate approach to minimise burden on smaller IORPs.</p> <p>Moreover, the common framework is not intended to replace existing risk management tools.</p> <p>An important aim of the common framework is to enhance transparency on security mechanisms and benefit adjustment mechanisms.</p>

			For the pensions to be paid by the IORP there is a substantial risk management in place by law. The concept of HBS to the dedicated funds will not bring an improvement as there is an unlimited pension reduction mechanism.	
2.812.	GDFSUEZ	Q73	<p>Q73: Do stakeholders believe that the holistic balance sheet should be used as a risk management tool as part of pillar 2 requirements? Please explain.</p> <p>No, use of the HBS should not be mandated. IORPs should be able to develop risk-assessment and risk-management tools that are appropriate to the specific circumstances of their arrangements. At an EU-level, any requirements under pillar 2 should be principles-based, determined by local supervisors and should not stipulate the HBS as the only appropriate risk management tool, as there will be other, more suitable, tools available to different IORPs.</p>	<p>Partially agreed, EIOPA advises a common framework for risk assessment and transparency, but this is not intended to replace other risk-management tools. Moreover, any supervisory actions will be determined by national supervisors.</p>
2.813.	GDV	Q73	<p>Do stakeholders believe that the holistic balance sheet should be used as a risk management tool as part of pillar 2 requirements? Please explain.</p> <p>The GDV always assumed that the HBS is designed as a basis for calculation of the capital requirements for IORPs. There seem to be no obvious reasons why the HBS is also considered as a pure risk management tool: it is unclear how the IORP could steer its risk management according to the HBS, particularly in cases where the employers bear some of the risks. In addition, the current proposal for the IORP II Directive already contains extensive risk</p>	<p>Noted.</p> <p>EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency. The common framework provides valuable insights on IORP</p>

			management provisions. The burden for small and medium-sized IORPs would be disproportionate.	<p>dependence on sponsor support, pension protection schemes and benefit adjustment mechanisms.</p> <p>Eiopa envisages a proportionate application of the common framework allowing for simplifications to minimise the burden on small- and medium-sized IORPs.</p> <p>Moreover, member states may choose not to apply the common framework to small IORPs and lower the frequency for calculations and reporting from 1 to 3 years.</p>
2.814.	GE	Q73	<p>Do stakeholders believe that the holistic balance sheet should be used as a risk management tool as part of pillar 2 requirements? Please explain.</p> <p>IORPs should be able to develop risk-assessment and risk-management tools that are appropriate to the specific circumstances of their arrangements. At an EU-level, any requirements under pillar 2 should be principles-based and should not stipulate the HBS as the only appropriate risk management</p>	<p>Partially agreed, Eiopa advises a common framework for risk assessment and transparency, but this is not intended to replace other risk-management tools.</p>

			tool, as there may be other and/or more suitable tools available to different IORPs.	
2.815.	GE Pension Trustees Limited	Q73	<p>Do stakeholders believe that the holistic balance sheet should be used as a risk management tool as part of pillar 2 requirements? Please explain.</p> <p>IORPs should be able to develop risk-assessment and risk-management tools that are appropriate to the specific circumstances of their arrangements, including the specific circumstances of their sponsoring employer. At an EU-level, any requirements under pillar 2 should be principles-based and should not stipulate the HBS as the only appropriate risk management tool, as there may be more other, more suitable tools available to different IORPs.</p>	Partially agreed, EIOPA advises a common framework for risk assessment and transparency, but this is not intended to replace other risk-management tools.
2.817.	Heathrow Airport Limited	Q73	<p>Q73: Do stakeholders believe that the holistic balance sheet should be used as a risk management tool as part of pillar 2 requirements? 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>We do not believe that the case has been made for introducing a</p>	Partially agreed, the common framework does not intend to replace other risk-management tools. Moreover, the opinion specifies that any supervisory action should be determined by national supervisors.

			<p>holistic balance sheet at all. However, if one is to be produced, then it is clearly preferable and less damaging to pension schemes, sponsors and the economy if these (possibly meaningless) numbers are used as part of a risk management process rather than to drive the funding of pension schemes.</p> <p>It should be noted, however, that the draft text of the revised IORP directive already contains a risk management tool in the form of the Risk Evaluation for Pensions. We believe that a qualitative assessment along the lines proposed in the Risk Evaluation for Pensions would form a much more effective tool that is better able to address the specificities of individual IORPs and sponsors.</p>	
2.818.	Hoechst-Gruppe VVaG	Q73	<p>We do not believe that the application of the HBS approach leads to additional security for pensions. On the contrary, the additional burdens will reduce both the benefits and the commitment of employers to provide occupational pensions. Any valuation and risk management that is based on a one-year-view send the wrong message to anyone running an IORP.</p> <p>If the HBS was to be used as a risk management tool in the second pillar, it would have to be used without public disclosure and in combination with the use of the balancing item approach. Minimum funding requirements and valuation standards should continue to be according to the current IORP Directive. Regulatory consequences of the HBS analysis within the risk management should be determined by national supervisors (i.e. recovery plans with long recovery periods). The requirements of Art. 29 of the Council's General Approach regarding IORP II from 10 December 2014 regarding risk evaluation for pensions are sufficient.</p>	<p>EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.</p> <p>The common framework includes public disclosure, but any supervisory actions based on the outcomes of the common framework should be taken by national supervisors.</p>

			It must be safeguarded that the use of the HBS will not be broadend step by step: in a first step an introduction as risk management tool in pillar 2 followed by the second step to use the HBS for strict harmonization of valuation and funding. We strongly warn against this kind of development.	EIOPA subscribes to view that proportionate application is needed, allowing for simplifications, such as balancing item approach.
2.819.	IFoA	Q73	The IFoA considers that national supervisors should give guidance on the approach to be used, but that the HBS should not be prescribed for this purpose.	Noted. Common framework does not intend to replace other risk-management tools. Moreover, the EIOPA opinion specifies that any supervisory action will be determined by national supervisors.
2.820.	IVS	Q73	No, not until the complete model has been drawn up. In theory, if the HBS/HPF is appropriately developed, it may be a reasonable tool for a pillar 2 assessment, if all the IORP-specific aspects have been taken appropriately into account. See our General Comments for an explanation of "HBS/HPF".	Noted. EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency. EIOPA considers that the common framework can be used in practice following

				the further work on the specifications and after having tested the revised specifications in the QA. However, this does not mean there is no room for further development/improvement.
2.821.	Jane Marshall Consulting	Q73	No.Risk management should be in the form and manner determined by national regulatory systems.	Noted. Common framework does not intend to replace other risk-management tools. Moreover, the EIOPA opinion specifies that any supervisory action will be determined by national supervisors.
2.824.	NAPF	Q73	Q73: Do stakeholders believe that the holistic balance sheet should be used as a risk management tool as part of pillar 2 requirements? Please explain. 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.	EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency. If EU institutions decide to implement the

			<p>If EIOPA and the European Commission were to insist on pressing ahead with the Holistic Balance Sheet, then the best option would be use as a risk management tool.</p> <p>EIOPA should note, however, that the proposed new IORP Directive, which is currently in co-decision, includes a new Risk Evaluation for Pensions report which appears to duplicate much of what would be achieved by using the HBS as a Pillar II tool – ie better management of risks. There is clearly no need for both.</p>	<p>common framework into any future review of the IORP Directive then it seems likely that provisions will be merged, i.e. no duplication.</p>
2.827.	Pensioenfederatie	Q73	<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 HBS could possibly be used as an instrument for risk management in order to obtain more insights in relative balance sheet risks , but other and less costly methods such as ALM, continuity analyses and stress tests would better achieve this goal. In theory, the HBS could shed some light on the relative importance of the pension funds’ different recovery mechanisms . One of the preconditions for this theory is however that the market</p>	<p>Partially agreed, EIOPA advises a common framework for risk assessment and transparency.</p> <p>EIOPA is in favour of proportionate application allowing for simplifications to minimise the burden on small- and medium-sized IORPs.</p> <p>The common framework does not intend to replace other risk-management tools making projections.</p>

			<p>is complete, which is clearly not (and never will be) the case. Moreover, the calculation of these options is far from trivial, and therefore costly.</p> <p>This consultation document offers numerous simplifications to calculate a HBS. The result of these calculations is just a balance sheet without any logical economic interpretation. The interaction between balance sheet items is lost, because the assumed option prices disregard the price of risk (the expected payout on an insurance policy is not equal to the premium). Furthermore, simplifications of one balance sheet item will also impact the valuation of other balance sheet items.</p> <p>Another issue is that the HBS will only give the current valuation but no projections.</p>	
2.828.	PensionsEurope	Q73	<p>Do stakeholders believe that the holistic balance sheet should be used as a risk management tool as part of pillar 2 requirements? 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>We do not believe that the application of the HBS approach produces additional security for pensions. On the contrary, the additional burdens will reduce both the benefits and the</p>	<p>EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency. The common framework does not intend to replace other existing, national risk-management tools.</p> <p>If EU institutions decide to implement the common framework into any future review of the IORP Directive</p>

		<p>commitment of employers to provide occupational pensions. In our view, any valuation and risk management that is based on a one-year-horizon sends the wrong message to anyone running an IORP. However, if EIOPA and the European Commission were to insist on pressing ahead with the Holistic Balance Sheet (contrary to the PensionsEurope’s advice), then the best option would be to use it as a risk management tool. Most importantly, if the HBS were to be used as a risk management tool, it should and cannot be the only one available for IORPs. They should be able to use existing tools at their disposal, according to the features of the scheme, the national pension system etc.</p> <p>The HBS could possibly be used as an instrument for risk management to obtain more insights in relative risks of the balance sheet, but less complex methods like ALM, continuity analysis and stress tests would better achieve this goal. In theory, the HBS could shed some light on the relative importance of the different recovery mechanisms of IORPs. One of the preconditions for this theory is however that the market is complete, which is clearly not (and never will be) the case.</p> <p>Moreover, the calculation of these options is far from trivial, and therefore costly. This consultation document offers numerous simplifications to calculate a HBS. The result of these simplified calculations is a balance sheet without any logical economic interpretation as the interaction between balance sheet items is lost and because the assumed option prices disregard the price of risk (the expected payout on an insurance policy is not equal to the premium) and simplifications of one balance sheet item will also impact the valuation of other balance sheet items.</p>	<p>then it seems likely that provisions will be merged, i.e. no duplication.</p>
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2.829.	PERNOD-RICARD	Q73	<p>Q73: Do stakeholders believe that the holistic balance sheet should be used as a risk management tool as part of pillar 2 requirements? Please explain.</p> <p>No, use of the HBS should not be mandated. IORPs should be able to develop risk-assessment and risk-management tools that are appropriate to the specific circumstances of their arrangements. At an EU-level, any requirements under pillar 2 should be principles-based, determined by local supervisors and should not stipulate the HBS as the only appropriate risk management tool, as there will be other, more suitable, tools available to different IORPs.</p>	<p>Partially agreed, EIOPA advises a common framework for risk assessment and transparency, but this is not intended to replace other risk-management tools. Moreover, any supervisory actions will be determined by national supervisors.</p>
2.830.	Punter Southall	Q73	No. The proposed risk evaluation for pensions, requiring competent	Noted.

			authorities to specify the details, provides a potentially more valuable risk management tool in a way that is relevant to IORPs in different member states.	
2.833.	RPTCL	Q73	<p>We believe that IORPs should be able to develop risk-assessment and risk-management tools that are appropriate to the specific circumstances of their arrangements. For some IORPs and some member states, the holistic balance sheet may be deemed an appropriate tool and for others it will not be.</p> <p>At an EU-level, we believe it would be appropriate for any requirements under pillar 2 to be principles-based and not stipulate the holistic balance sheet as the only appropriate risk management tool.</p>	<p>Partially agreed, EIOPA advises a common framework for risk assessment and transparency, but this is not intended to replace other risk-management tools.</p> <p>Moreover, any supervisory actions will be determined by national supervisors.</p>
2.834.	Society of Pension Professionals	Q73	<p>Do stakeholders believe that the holistic balance sheet should be used as a risk management tool as part of pillar 2 requirements? 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</p>	<p>EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.</p> <p>In addition, it is advised that any supervisory actions based on the outcomes of the common framework should be taken by national supervisors to avoid</p>

			<p>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>Individual Member States should be able to consider using the ,HBS' principle within their supervisory regime, where they believe this is appropriate. It would be for national competent authorities to also consider how this would be applied under the ,proportionality' principle.</p> <p>None of this requires any EU-wide legislative approach.</p>	<p>one-size-fits-all approach.</p>
2.836.	Towers Watson	Q73	<p>Do stakeholders believe that the holistic balance sheet should be used as a risk management tool as part of pillar 2 requirements? Please explain.</p> <p>IORPs should be able to develop risk-assessment and risk-management tools that are appropriate to the specific circumstances of their arrangements. At an EU-level, any requirements under pillar 2 should be principles-based and should not stipulate the HBS as the only appropriate risk management tool, as there may be more other, more suitable tools available to different IORPs.</p>	<p>Partially agreed, EIOPA advises a common framework for risk assessment and transparency, but this is not intended to replace other risk-management tools.</p>
2.837.	United Utilities Group	Q73	<p>Q73: Do stakeholders believe that the holistic balance sheet should be used as a risk management tool as part of pillar 2 requirements? Please explain.</p>	<p>EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a</p>

			<p>We do not believe that the case has been made for introducing a holistic balance sheet at all. However, if one is to be produced, then it is clearly preferable and less damaging to pension schemes, sponsors and the economy if these (possibly meaningless) numbers are used as part of a risk management process rather than to drive the funding of pension schemes.</p> <p>It should be noted, however, that the draft text of the revised IORP directive already contains a risk management tool in the form of the Risk Evaluation for Pensions. We believe that a qualitative assessment along the lines proposed in the Risk Evaluation for Pensions would form a much more effective tool that is better able to address the specificities of individual IORPs and sponsors (regulated utilities for example).</p>	<p>common framework for risk assessment and transparency.</p> <p>The common framework is not intended to replace other risk-management tools.</p>
2.838.	USS Limited	Q73	<p>Within the UK the Pensions Regulator uses a variety of tools and triggers to identify schemes that present the greatest risk of distress and it takes regulatory action in response to those risks. There is an integrated approach to the management of pensions risk, involving an in-depth assessment of sponsor support which then determines the amount of risk that can sensibly taken by the trustee (which in turn influences the most appropriate investment strategy and contributions requirements from sponsors). Many schemes and employers take a proactive approach to managing their risk and take appropriate steps to improve the sustainability of pension promises.</p> <p>It is not clear how a rigid HBS applied to member states with different pension systems would add value to the existing UK</p>	<p>Partially agreed, EIOPA advises a common framework for risk assessment and transparency, but this is not intended to replace other risk-management tools.</p> <p>In addition, it is advised that any supervisory actions based on the outcomes of the risk assessment should be taken by national supervisors to</p>

			<p>approach. Accordingly, a principles based approach at a European level would be more appropriate, allowing supervisory authorities and individual IORPs to implement practices acknowledging the specificities of the relevant national pensions system.</p> <p>Other concerns about the use of the HBS as a risk management tool are summarised as follows:</p> <ol style="list-style-type: none"> 1) If adopted as a risk management tool, there is a concern that the HBS will in time escalate to a funding target in practice. 2) It is not entirely clear if the intention is to share HBS results with scheme members and there are concerns over such potential disclosure. The HBS is a extremely complicated concept and there is a risk that the member will not understand the results, become disengaged from their pension provision and/or take inappropriate actions (because of their misunderstanding). 3) It would be very difficult to reconcile how the results of the HBS model relate to the existing funding measurements commonly used within the UK. Once this data is in the public domain the scheme and sponsor will not have any control over the use to which this information is put nor will it be easy to give people a definitive steer as to which one measure of scheme funding is the primary or most significant one. 	<p>avoid one-size-fits-all approach.</p> <p>The common framework includes public disclosure, which is not the same as active provision of information to scheme members. Still, the results would be in the public domain and interested plan members would be able to access it, like any other interested parties. However, EIOPA advises that the results are accompanied by proper explanation.</p>
2.839.	ZVK-Bau	Q73	We cannot spot the additional value of an HBS on top of an Risk Evaluation for Pensions (REP) as is envisaged by the IORP-II-draft.	Noted.

				<p>In EIOPA's view the common framework would provide valuable insight to supervisors/ stakeholders in extent to which IORPs depend on security mechanisms and benefit adjustments in normal as well as stressed situations.</p>
2.840.	OPSG	Q74	<p>The OPSG underlines the importance of disclosure of information about the benefits and the financial position of the IORP to members and beneficiaries; they are entitled to information which assists their understanding of the security of their pension promise (i.e. as set out in 5.34). It is important that the information provided to members and beneficiaries in this regard is clear, fair and not misleading, and is understandable to those who do not have detailed knowledge of financial issues.</p> <p>As mentioned in our answer to question 73, the HBS could possibly be used for risk management purposes (in pillar 2). The OPSG has serious concerns though about disclosing the outcomes of a pillar 2 assessment to members and beneficiaries under pillar 3. The HBS is a complex method and even experts possibly do not have a full understanding of the HBS and the underlying calculations. The OPSG doubts whether the HBS will provide information in a meaningful fashion for the members and beneficiaries. For example explaining a value of 20 for mixed benefits and at the same time 10 for benefits cuts will be too difficult and the same will hold true for having a value for the PPS on the HBS.</p>	<p>Partially agreed, common framework includes public disclosure, considering that it will have a disciplinary effect on IORPs and stimulate dialogue between the various stakeholders.</p> <p>It is advised that the results are accompanied by proper explanation.</p> <p>Public disclosure is not the same as active provision of information to members and beneficiaries. Still, the</p>

			<p>The HBS only provides insight in the current valuation of assets and pension promises and does not provide an insight to a participant in for example to what extent the pension is likely to keep up with inflation. In order to get an idea of the perspective and risks of the future pension, one should simulate with real world scenarios. The HBS cannot be used to do that.</p> <p>The question refers to “public disclosure” of the Pillar 2 results which appears to be broader than disclosure to members and beneficiaries e.g. to media and to unrelated employers and their employees. 5.35 suggests that such “public disclosure” would “encourage reforms” where an IORP is shown to be unsustainable. The OPSG would strongly reject any requirement to make publicly available the financial results of an IORP, as this could lead to “naming and shaming” of some IORPs/employers and might actually hinder an appropriate resolution of issues between the employer/members/supervisor.</p>	<p>results would be in the public domain and interested plan members would be able to access it, like any other interested parties.</p>
2.841.	100 Group of Finance Directors	Q74	<p>Q74: Do stakeholders agree that the outcomes of a pillar 2 assessment should be publicly disclosed as part of pillar 3 requirements?</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>Once a specific holistic balance sheet calculation has been carried</p>	<p>Partially agreed, common framework includes public disclosure of main results.</p> <p>EIOPA considers that the common framework (incl. valuation of sponsor support) can be used in practice following the further work on the specifications and after</p>

			<p>out, it will be difficult for companies (especially listed companies) not to disclose that (potentially market-sensitive) analysis publicly (even if it is not used for Pillar 1 funding purposes) and so we do not think it would be practical to prevent public disclosure.</p> <p>However, as noted above, we do not believe that it is appropriate to calculate a single value for sponsor support across all IORPs. If a single value were to be calculated for risk management purposes and then publicly disclosed, this number may be misleading and may either damage a company's standing, or give an inappropriately positive view of an employer's obligations to their pension scheme.</p>	<p>having tested the revised specifications in the QA.</p>
2.842.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q74	<p>No, HBS information should only be disclosed to supervisors as this information may be of relevance for IORPs and supervisors but not for beneficiaries; especially if there will be other balance sheet information on pillar 1 according to national standards in addition to the risk assessment of pillar 2 as it will not be easily understood how these values relate to each other. As the methodology is very complex, the results could be misinterpreted very easily. In general we are of the opinion that the valuation of assets and liabilities and risk-based SCR according to SII are not appropriate for IORPs and therefore we do not support this option (see general remarks Part III). The publication of the assessment could seriously harm sponsoring employers without providing any additional benefit.</p>	<p>Noted.</p> <p>Common framework includes public disclosure, considering that it will have a disciplinary effect on IORPs and stimulate dialogue between the various stakeholders.</p> <p>It is advised that the results are accompanied by proper explanation.</p> <p>Public disclosure is not the same as active provision of</p>

				information to members and beneficiaries. Still, the results would be in the public domain and interested plan members would be able to access it, like any other interested parties.
2.843.	ACA	Q74	No. Given the complexities involved in the calculations it is difficult to see that any users would be well placed to understand and benefit from public disclosure of the holistic balance sheet.	Noted. EIOPA advises that the results are accompanied by proper explanation.
2.844.	Actuarial Association of Europe	Q74	<p>We strongly support disclosure to members and beneficiaries of the security of their pension promises, as outlined in 5.33: " the HBS would provide IORPs and their stakeholders with a transparent view of the extent to which pension obligations can be supported by financial assets, sponsor support and pension protection schemes, and the extent to which benefit reductions may occur in future."</p> <p>Disclosure to members must be in a form that is understandable to them or at least the reasonably well informed ones. It is unlikely that disclosure of the HBS or the risk evaluation report by the IORP to the supervisory authority would, on their own, provide meaningful information to the members.</p>	Partially agreed, common framework includes public disclosure. This is not the same as active provision of information to members and beneficiaries. Still, the results would be in the public domain and interested plan members would be able to access it, like

				<p>any other interested parties.</p> <p>EIOPA advises that the results are accompanied by proper explanation.</p>
2.845.	AEIP	Q74	<p>No. Even apart from the incompleteness of the market, the HBS is way too complex to communicate. A participant would like to know to what extent his/her pension is likely to keep up with inflation. Even an expert will have no idea how to interpret an indexation option of say 25% of unconditional liabilities. Equally uninformative is the knowledge that the benefit cut option (if any) is worth 5% of liabilities. As options are priced in the risk-neutral world (in which we do not live) such a number is hardly indicative of the probability or size of future benefit cuts. For a member, in order to get an idea of the perspective and risks of his/her future pension, one should simulate with real world scenario's. The HBS does not do that. It only tells us how much we should be able to get at the market for our pension deal or how much we should pay to get rid of a pension promise if there should be a market (which is not the case). These number will moreover depend highly on the specific day the balance sheet is calculated as all prices are calibrated to the market prices of one particular date.</p>	<p>Noted.</p> <p>Common framework includes public disclosure, considering that it will have a disciplinary effect on IORPs and stimulate dialogue between the various stakeholders.</p> <p>It is advised that the results are accompanied by proper explanation.</p> <p>Public disclosure is not the same as active provision of information to members and beneficiaries. Still, the results would be in the public domain and interested plan members would be</p>

				able to access it, like any other interested parties.
2.846.	Aon Hewitt	Q74	We can see merits in public disclosure of information providing it is in a format that is useful for members. However we think that the actual disclosures should be allowed to vary on a member state by member state basis, taking into account the nature of pensions arrangements in each state.	<p>Partially agreed.</p> <p>Common framework includes public disclosure. This is not the same as active provision of information to members and beneficiaries. Still, the results would be in the public domain and interested plan members would be able to access it, like any other interested parties.</p> <p>EIOPA advises that the results are accompanied by proper explanation.</p>
2.847.	Association of Pension Lawyers	Q74	<ol style="list-style-type: none"> 1. There are two key issues: the purpose of the Pillar 3 requirements and the rights of sponsors and other stakeholders in protecting the confidentiality of their economic and financial information. 2. Where there are decisions to be taken by members or beneficiaries or potential members or beneficiaries to which the 	<p>Noted.</p> <p>Common framework includes public disclosure considering that it will have a disciplinary effect on</p>

			<p>disclosure of a Pillar 2 HBS assessment would be directly relevant, there is a case for disclosure to those members, beneficiaries and potential members and beneficiaries. We do not see any justification for any wider public disclosure (but acknowledge that disclosure to members may result in wider public disclosure). The level of detail required in any disclosure should be limited to what is required to meet the purpose of the (potential) members' and beneficiaries' decision taking, particularly having regard to the protection of other stakeholders.</p> <p>3. We would urge EIOPA to consider very carefully requiring disclosure of information relating to any Pillar 2 HBS which could result in disclosure of financial or economic information relating to sponsors or from which such information could be extrapolated. The risk that participation in an IORP can result in disclosure of confidential information can only harm support for IORPs and pension provision through IORPs.</p> <p>4. In addition, disclosing non-legally binding financial support or voluntary contributions to pre-fund a policy of discretionary benefits could, in the UK, lead to that support and those payments becoming legally enforceable by members.</p>	<p>IORPs and stimulate dialogue between the various stakeholders.</p> <p>The point is well taken that disclosure to members may already imply wider public disclosure.</p> <p>IORPs will only have to disclose the main outcomes of the common framework.</p>
2.848.	Atradius Credit Insurance NV	Q74	<p>No, public disclosure of the outcomes of a pillar 2 assessment should not be a requirement. The HBS is complex and it is difficult to see how its disclosure would facilitate members making any informed decisions. Disclosure also risks the information being misunderstood and mis-used, with potential adverse implications for share prices and, in turn, long term investments, growth and job prospects in the EU.</p>	<p>Noted.</p> <p>Common framework includes public disclosure considering that it will have a disciplinary effect on IORPs and stimulate dialogue between the various stakeholders.</p> <p>EIOPA advises that the</p>

				results are accompanied by proper explanation.
2.849.	BAPI	Q74	<p>Q74: Do stakeholders agree that the outcomes of a pillar 2 assessment should be publicly disclosed as part of pillar 3 requirements?</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 outcome of a risk management assessment is information for the administrative, management or supervisory body and the supervisory authority only.</p> <p>Making the results of the HBS publicly available might lead to misinterpretations, misleading information and can have financial</p>	<p>Noted.</p> <p>Common framework includes public disclosure considering that it will have a disciplinary effect on IORPs and stimulate dialogue between the various stakeholders.</p> <p>EIOPA advises that the results are accompanied by proper explanation.</p>

			<p>consequences especially for listed sponsors.</p> <p>Neither a disclosure to members and beneficiaries is preferable as the HBS is too complex and might lead to wrong conclusions (either too optimistic or too pessimistic) as based on “best effort” estimations rather than hard core figures unless we would force every IORP in very complex and costly stochastic modelling, which is not feasible for the small and medium sized IORPs.</p>	
2.850.	Barnett Waddingham LLP	Q74	<p>We do not believe that this information would be well understood by members and IORPs should not be required to disclose this information beyond their membership (and potential membership).</p>	<p>Noted.</p> <p>Common framework includes public disclosure considering that it will have a disciplinary effect on IORPs and stimulate dialogue between the various stakeholders.</p> <p>EIOPA advises that the results are accompanied by proper explanation.</p>
2.851.	BASF SE	Q74	<p>No. The methodology is too complex and the results could be misinterpreted very easily.</p>	<p>Noted.</p> <p>Common framework includes public disclosure considering that it will have a disciplinary effect on IORPs and stimulate dialogue between the</p>

				<p>various stakeholders.</p> <p>EIOPA advises that the results are accompanied by proper explanation.</p>
2.852.	Better Finance	Q74	Certainly yes. However, the EIOPA should work sensitively on easy-to-understand way of presenting the information to members.	<p>Partially agreed.</p> <p>Common framework includes public disclosure. This is not the same as active provision of information to members and beneficiaries. Still, the results would be in the public domain and interested plan members would be able to access it, like any other interested parties.</p> <p>EIOPA advises that the results are accompanied by proper explanation.</p>
2.854.	British	Q74	Q74: Do stakeholders agree that the outcomes of a pillar 2	Noted.

	Telecommunications plc		<p>assessment should be publicly disclosed as part of pillar 3 requirements?</p> <p>We do not agree with the concept of the holistic balance sheet in the first place. And thus we do not believe that it is appropriate to calculate a single value for sponsor support across all IORPs. If a single value were to be calculated for risk management purposes and then publicly disclosed, this number may be misleading and may either inappropriately damage a company's standing, or give an inappropriately positive view of an employer's obligations to their pension scheme.</p>	<p>Common framework includes public disclosure of main results.</p> <p>EIOPA considers that the common framework can be used in practice following the further work on the specifications and after having tested the revised specifications in the QA.</p>
2.855.	Candriam	Q74	<p>Do stakeholders agree that the outcomes of a pillar 2 assessment should be publicly disclosed as part of pillar 3 requirements?</p> <p>The issue of IORPs solvency is very complex and we believe most members and beneficiaries would not understand the functioning of pillar 2 assessment. For this reason, the disclosure of pillar 2 would not improve members protection. It would be more sensible to provide clear information on the member on his/her pension promise and general security mechanisms that will help meeting the promise.</p>	<p>Noted.</p> <p>Common framework includes public disclosure. This is not the same as active provision of information to members and beneficiaries. Still, the results would be in the public domain and interested plan members would be able to access it, like any other interested parties.</p>

				EIOPA advises that the results are accompanied by proper explanation.
2.856.	Compass Group PLC	Q74	<p>Q74: Do stakeholders agree that the outcomes of a pillar 2 assessment should be publicly disclosed as part of pillar 3 requirements?</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>Once a specific holistic balance sheet calculation has been carried out, it will be difficult for companies (especially listed companies) not to disclose that (potentially market-sensitive) analysis publicly (even if it is not used for Pillar 1 funding purposes) and so we do not think it would be practical to prevent public disclosure.</p> <p>However, as noted above, we do not believe that it is appropriate to calculate a single value for sponsor support across all IORPs. If a single value were to be calculated for risk management purposes and then publicly disclosed, this number may be misleading and may either damage a company's standing, or give an inappropriately positive view of an employer's obligations to their</p>	<p>Partially agreed.</p> <p>Common framework includes public disclosure of main results.</p> <p>EIOPA considers that the common framework (incl. valuation of sponsor support) can be used in practice following the further work on the specifications and after having tested the revised specifications in the QA.</p> <p>EIOPA advises that the results are accompanied by proper explanation.</p>

			pension scheme.	
2.857.	D & L Scott	Q74	No.	Noted.
2.858.	EAPSPI	Q74	No, HBS information should only be disclosed to supervisors as this information is only relevant for IORPs and supervisors but not for beneficiaries. Especially if there is other balance sheet information of pillar 1 according to national standards in addition to the risk assessment in pillar 2 it will not be easy to understand how these values relate to each other. In general EAPSPI is of the opinion that the valuation of assets and liabilities and risk-based SCR according to Solvency II are not appropriate for IORPs and therefore we do not support this option (see introduction part IV).	Noted. Common framework includes public disclosure considering that it will have a disciplinary effect on IORPs and stimulate dialogue between the various stakeholders. Eiopa advises that the results are accompanied by proper explanation.
2.859.	EEF	Q74	Pension schemes are already subject to extensive disclosure and transparency arrangements. Disclosure and transparency do not, therefore, provide the business case for developing / implementing the HBS approach given such obligations already exist.	Noted. Common framework includes public disclosure considering that it will have a disciplinary effect on IORPs and stimulate dialogue between the various stakeholders.
2.860.	Eversheds LLP	Q74	Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help Eiopa	Agreed.

			<p>develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>However, if the holistic balance sheet is used as a risk management tool as part of the pillar 2 requirements, we would support it being publically disclosed as part of the pillar 3 requirements.</p>	
2.861.	FFSA	Q74	Yes, the outcomes of a pillar 2 assessment should be publicly disclosed as part of pillar 3 requirements, provided that the HBS should also be used as a starting point to calculate Pillar I requirements.	Agreed. Comon frameworkincludes public disclosure
2.862.	FSUG	Q74	Certainly yes. However, the EIOPA should work sensitively on easy-to-understand way of presenting the information to members.	Agreed. EIOPA advisesthat public disclosure of results is accompanied by proper explanation.
2.863.	FVPK	Q74	<p>Do stakeholders agree that the outcomes of a pillar 2 assessment should be publicly disclosed as part of pillar 3 requirements?</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p>	<p>Noted.</p> <p>Common framework includes public disclosure considering that it will have a disciplinary effect on IORPs and stimulate dialogue between the various stakeholders.</p> <p>EIOPA advises that the</p>

			FVPK thinks that this is not necessary in Austria as the results of a pillar 2 assessment for the small part of optional additional guarantees does not reflect the risk on the big part of pure DC pensions from the dedicated funds. So a public disclosure may be dangerously misleading for the beneficiary. In addition the arising costs will result in rising administration fees what is not appreciated by the beneficiaries.	results are accompanied by proper explanation.
2.864.	GDV	Q74	<p>Do stakeholders agree that the outcomes of a pillar 2 assessment should be publicly disclosed as part of pillar 3 requirements?</p> <p>If the holistic balance sheet is used as part of pillar 1, then the approach taken for pillars 2 and 3 should correspond to the provisions in the currently revised IORP Directive and the well-established rules in other sectors.</p>	Noted. EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.
2.865.	GE	Q74	<p>Do stakeholders agree that the outcomes of a pillar 2 assessment should be publicly disclosed as part of pillar 3 requirements?</p> <p>No, public disclosure of the outcomes of a pillar 2 assessment should not be a requirement. The HBS is complex and it is difficult to see how its disclosure would facilitate members making any informed decisions. Disclosure also risks the information being misunderstood and mis-used, with potential adverse implications long term investments, growth and job prospects in the EU.</p>	<p>Noted.</p> <p>Common framework includes public disclosure. This is not the same as active provision of information to members and beneficiaries. Still, the results would be in the public domain and interested plan members would be</p>

				<p>able to access it, like any other interested parties.</p> <p>EIOPA advises that the results are accompanied by proper explanation.</p>
2.866.	GE Pension Trustees Limited	Q74	<p>Do stakeholders agree that the outcomes of a pillar 2 assessment should be publicly disclosed as part of pillar 3 requirements?</p> <p>No, public disclosure of the outcomes of a pillar 2 assessment should not be a requirement. This should be restricted to discussion between the IORP, any participating employers and, if necessary, with the local regulatory authority.</p> <p>The HBS is complex and it is difficult to see how its disclosure would facilitate members making any informed decisions.</p> <p>Disclosure also risks the information being misunderstood and mis-used, with potential adverse implications for share prices and, in turn, long term investments, growth and job prospects in the EU.</p>	<p>Noted.</p> <p>Common framework includes public disclosure. This is not the same as active provision of information to members and beneficiaries. Still, the results would be in the public domain and interested plan members would be able to access it, like any other interested parties.</p> <p>EIOPA advises that the results are accompanied by proper explanation.</p>

2.868.	Heathrow Airport Limited	Q74	<p>Q74: Do stakeholders agree that the outcomes of a pillar 2 assessment should be publicly disclosed as part of pillar 3 requirements?</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>Once a specific holistic balance sheet calculation has been carried out, it will be difficult for companies (especially listed companies) not to disclose that (potentially market-sensitive) analysis publicly (even if it is not used for Pillar 1 funding purposes) and so we do not think it would be practical to prevent public disclosure.</p> <p>However, as noted above, we do not believe that it is appropriate to calculate a single value for sponsor support across all IORPs. If a single value were to be calculated for risk management purposes and then publicly disclosed, this number may be misleading and may either damage a company's standing, or give an inappropriately positive view of an employer's obligations to their pension scheme.</p>	<p>Partially agreed, common framework includes public disclosure of main results.</p> <p>EIOPA considers that the common framework(incl. valuation of sponsor support) can be used in practice following the further work on the specifications and after having tested the revised specifications in the QA.</p> <p>EIOPA advises that the results are accompanied by proper explanation.</p>
2.869.	Hoechst-Gruppe VVaG	Q74	<p>No, HBS information should only be disclosed to supervisors as this information may be of relevance for IORPs and supervisors but not for beneficiaries; especially if there will be other balance sheet</p>	<p>Noted.</p> <p>Common framework includes public</p>

			<p>information on pillar 1 according to national standards in addition to the risk assessment of pillar 2 as it will not be easily understood how these values relate to each other. As the methodology is very complex, the results could be misinterpreted very easily. In general we are of the opinion that the valuation of assets and liabilities and risk-based SCR according to SII are not appropriate for IORPs and therefore we do not support this option (see general remarks Part III). The publication of the assessment could seriously harm sponsoring employers without providing any additional benefit.</p>	<p>disclosure, considering that it will have a disciplinary effect on IORPs and stimulate dialogue between the various stakeholders.</p> <p>It is advised that the results are accompanied by proper explanation.</p> <p>Public disclosure is not the same as active provision of information to members and beneficiaries. Still, the results would be in the public domain and interested plan members would be able to access it, like any other interested parties.</p>
2.870.	IFoA	Q74	<p>The IFoA strongly supports appropriate disclosure to members of the security of their retirement benefits. Members must understand such disclosure. It is unlikely that many members would understand the HBS or the risk evaluation report to the supervisory authority.</p>	<p>Partially agreed, common framework includes public disclosure. This is not the same as active provision of information to members and</p>

				<p>beneficiaries. Still, the results would be in the public domain and interested plan members would be able to access it, like any other interested parties.</p> <p>EIOPA advises that the results are accompanied by proper explanation.</p>
2.871.	IVS	Q74	<p>No ! Most IORPs are not public institutions and these IORPs should therefore not be forced to publish sensitive information on risk management to the public, unless it is fairly certain that the rights of members and beneficiaries are under threat. Also, full disclosure is most probably too complex for beneficiaries to understand.</p>	<p>Noted.</p> <p>Common framework includes public disclosure, considering that it will have a disciplinary effect on IORPs and stimulate dialogue between the various stakeholders.</p> <p>It is advised that the results are accompanied by proper explanation.</p>
2.872.	Jane Marshall Consulting	Q74	<p>No. The content of what should be disclosed should be for national regulators.</p>	<p>Noted.</p>
2.873.	NAPF	Q74	<p>Q74: Do stakeholders agree that the outcomes of a pillar 2</p>	<p>Agreed.</p>

			<p>assessment should be publicly disclosed as part of pillar 3 requirements?</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 in favour of transparency. Putting information about the pension scheme into the public domain helps investors to make well-informed decisions and allows all interested parties, including the sponsor itself, to comment.</p>	
2.876.	Pensioenfederatie	Q74	<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. Even apart from the incompleteness of the market, the HBS is way too complex to communicate. A participant would like to know to what extent her/his pension is likely to keep up with inflation.</p>	<p>Noted.</p> <p>Common framework includes public disclosure. This is not the same as active provision of information to members and beneficiaries. Still, the results would be in the public domain and interested plan members would be able to access it, like any other interested</p>

			<p>Even an expert will have no idea how to interpret an option to grant indexation of say 25% of unconditional liabilities. Equally uninformative is the information that the option to cut benefits is worth 5% of liabilities. As options are priced in a risk-neutral world (in which we do not live) such a number is hardly indicative of the probability or size of future benefit cuts. For a participant, in order to get an idea of the perspective and risks of his/her future pension, one should simulate with real world scenarios. The HBS does not do that. It only tells us how much we should be able to get for our pension agreement on the market or how much we should pay to get rid of a pension promise if there was a market (which is not the case). These number will moreover depend highly on the specific day the balance sheet is calculated as all prices are calibrated according to the market prices on a particular date.</p>	<p>parties. EIOPA advises that the results are accompanied by proper explanation.</p>
2.877.	PensionsEurope	Q74	<p>Do stakeholders agree that the outcomes of a pillar 2 assessment should be publicly disclosed as part of pillar 3 requirements?</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 has serious concerns in using risk assessment as part of transparency and disclosure requirements. PensionsEurope has always been in favor of good communication and transparency towards members and beneficiaries: Therefore, not using HBS pillar</p>	<p>Noted. Common framework includes public disclosure. This is not the same as active provision of information to members and beneficiaries. Still, the results would be in the public domain and interested plan members would be able to access it, like any other interested parties. EIOPA advises that the</p>

		<p>2 assessment as part of pillar 3 requirements should not be seen as a lack of transparency or any kind of secrecy whatsoever.</p> <p>In our view, even apart from the incompleteness of the market, the HBS is extremely complex to communicate and interpret, even for pension experts. A pension scheme participant is in most of the cases interested in concrete aspects of his/her pensions and would like to know for example to what extent his/her pension is likely to keep up with inflation. Even an expert will have no idea how to interpret an indexation option of for e.g. 25% of unconditional liabilities. Equally uninformative is the knowledge that the benefit cut option is worth 5% of liabilities. As options are priced in the risk-neutral world (in which we do not live) such a number is hardly indicative of the probability or size of future benefit cuts. For a member, in order to get an idea of the perspective and risks of his/her future pension, one should simulate with real world scenario's. The HBS does not do that. It only indicates how much he/she should be able to get at the market for his/her pension deal or how much he/she should pay to get rid of a pension promise if there would be a market (which is not the case). These numbers will moreover depend highly on the specific day the balance sheet is calculated as all prices are calibrated to the market prices of one particular date.</p> <p>Therefore HBS information should only be disclosed to supervisors (if at all) as this information maybe of relevance for IORPs and supervisors but not for members or beneficiaries; especially if there will be other balance sheet information of pillar 1 according to national standards in addition to the risk assessment in pillar 2 as it will not be easily understood how these values relate to each other. As the methodology is very complex, the results could be</p>	<p>results are accompanied by proper explanation.</p>
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			<p>misinterpreted very easily.</p> <p>A possible solution could be to explain to members and beneficiaries, what (recovery) actions the IORP intends to take, and why, where possible.</p> <p>Furthermore, PensionsEurope warns that public disclosure of HBS information could also impact the sponsor, especially in the case of listed companies. The impact of such disclosure should be investigated more in depth as it also concerns other areas such as corporate financial reporting.</p>	
2.878.	Punter Southall	Q74	<p>Yes, although the complexities involved in the calculation of the holistic balance sheet will mean that most users will not be able to understand and benefit from automatic public disclosure of the holistic balance sheet.</p>	<p>Agreed.</p> <p>EIOPA advises that the results are accompanied by proper explanation.</p>
2.881.	RPTCL	Q74	<p>We do not believe that public disclosure of the outcomes of a pillar 2 assessment should be a requirement. The holistic balance sheet is a complex tool (and in our view of unclear value) and it is difficult to see how its disclosure would facilitate members making any informed decisions</p> <p>Disclosure also risks the information being misunderstood and mis-used, with potential adverse implications for share prices, especially for those cases where the IORP is relatively large in the context of the sponsor. It may also have adverse impacts on sponsors seeking to raise funds – in turn placing greater stress on the sponsor and the IORP.</p> <p>Therefore, the issue of commercial sensitivity is likely to be a</p>	<p>Noted.</p> <p>EIOPA advises that the public disclosure of results is accompanied by proper explanation.</p>

			further good reason why public disclosure of the outcomes of a pillar 2 assessment should not be a requirement.	
2.882.	Society of Pension Professionals	Q74	<p>Do stakeholders agree that the outcomes of a pillar 2 assessment should be publicly disclosed as part of pillar 3 requirements?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>No. This is a matter for individual Member States and their national competent authorities. It should be noted, however, that there would be associated risks were pillar 2 assessments (that included any assessment modelled on the ,HBS') to be disclosed publicly. Disclosure risks the information being misunderstood and mis-used, with potential adverse implications for share prices and, in turn, long term investments, growth and job prospects in the EU.</p>	<p>Noted.</p> <p>EIOPA advises that the public disclosure of results is accompanied by proper explanation.</p>

2.884.	Towers Watson	Q74	<p>Do stakeholders agree that the outcomes of a pillar 2 assessment should be publicly disclosed as part of pillar 3 requirements?</p> <p>No, public disclosure of the outcomes of a pillar 2 assessment should not be a requirement. The HBS is complex and it is difficult to see how its disclosure would facilitate members making any informed decisions. Disclosure also risks the information being misunderstood and mis-used, with potential adverse implications for share prices and, in turn, long term investments, growth and job prospects in the EU.</p>	<p>Noted.</p> <p>Common framework includes public disclosure. This is not the same as active provision of information to members and beneficiaries. Still, the results would be in the public domain and interested plan members would be able to access it, like any other interested parties.</p> <p>EIOPA advises that the results are accompanied by proper explanation.</p>
2.885.	United Utilities Group	Q74	<p>Q74: Do stakeholders agree that the outcomes of a pillar 2 assessment should be publicly disclosed as part of pillar 3 requirements?</p> <p>Once a specific holistic balance sheet calculation has been carried out, it will be difficult for companies (especially listed companies) not to disclose that (potentially market-sensitive) analysis publicly (even if it is not used for Pillar 1 funding purposes) and so we do not think it would be practical to prevent public disclosure.</p>	<p>Partially agreed,</p> <p>Common framework includes public disclosure of main results.</p> <p>EIOPA considers that the common framework (incl. valuation of sponsor support) can be used in</p>

			<p>However, as noted above, we do not believe that it is appropriate to calculate a single value for sponsor support across all IORPs. If a single value were to be calculated for risk management purposes and then publicly disclosed, this number may be misleading and may either damage a company's standing, or give an inappropriately positive view of an employer's obligations to their pension scheme.</p>	<p>practice following the further work on the specifications and after having tested the revised specifications in the QA.</p> <p>EIOPA advises that the results are accompanied by proper explanation.</p>
2.886.	ZVK-Bau	Q74	<p>No. The outcome of a one-in-two-hundred-year-event-calculation within a framework that needs very careful explanation is not in line with the limits of press releases.</p>	<p>Noted.</p> <p>EIOPA advises that the public disclosure of results is accompanied by proper explanation.</p>
2.887.	OPSG	Q75	<p>The OPSG would like to stress that the issues with regard to the valuation base of the HBS need to be solved before the HBS can be used in any risk based framework, if at all.</p> <p>If the HBS would be used as a base to initiate supervisory action, the IORP would possibly be double charged for risk taking: as a result of the inclusion of all loss absorbing elements in the HBS an IORP has to build up buffers for both risks and soft benefits. This can be envisaged by the way the HBS is set up. By increasing the investment risk, the downside risk is reflected in a higher SCR requirement. Higher risk also increases upward potential and therefore the indexation option. If the HBS would be used for a</p>	<p>Noted.</p> <p>EIOPA's recommendation for assessment common framework does not include an SCR.</p>

			<p>minimum funding requirement, the IORP would be required to hold extra funding for this increased indexation option. This effect of double charging could be resolved if prudential supervision would focus on unconditional promises.</p> <p>If the concept of HBS requires the inclusion of all steering instruments, there are no further instruments available for recovery if the funding would be too low. In this case the recovery plan cannot be set up; it is already included in the HBS in the form of the steering instruments available to the IORP. The conclusion then is that the financial policy of the IORP is possibly unsustainable and that the sponsor, employees, (deferred) members and other relevant stakeholders should reconsider the pension deal.</p> <p>As a general remark the OPSG would like to stress that a useful concept of recognising certain elements in the HBS depends crucially on the supervisory response. The responses to the following questions do not take this into account.</p>	<p>There would be possible supervisory actions not already included in the common framework, such as strengthening of governance arrangements, reducing mismatch risk, accelerating sponsor support/benefit adjustments...</p>
2.888.	100 Group of Finance Directors	Q75	<p>Q75: Do stakeholders agree that competent authorities should be empowered to take supervisory action based on the pillar 2 assessment of the holistic balance sheet? Please explain and, if yes, what action?</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.</p>	<p>Agreed, EIOPA advises that any supervisory actions based on the outcomes of the common framework should be taken by national supervisors.</p>

			<p>The fact of us answering this question should not be taken as implying our agreement to the overall policy.</p> <p>This should be left to the supervisors of individual member states to determine.</p>	
2.889.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q75	<p>No. Competent authorities should continue to use the locally established rules.</p> <p>From our perspective the qualitative requirements in the Council's General Approach regarding IORP II from 10 December 2014, in particular Art. 29 (Risk Evaluation for Pensions) is more than sufficient.</p>	Noted.
2.890.	ACA	Q75	No. The existing funding and risk management regimes in place at a national level are already adequate.	Noted.
2.891.	Actuarial Association of Europe	Q75	We agree that supervisory authorities must have power to take action where an IORP is unsustainable and no satisfactory proposal to rectify this has been put forward by the IORP. This might arise following consideration by the supervisory authority of the pillar 2 information provided to the supervisory authority. The action to be taken would depend on the circumstances of the case and the MS concerned, but could for example include additional capital requirements, a recovery plan or benefit reductions (or a combination of these).	Agreed, EIOPA advises that national supervisory authorities should have sufficient powers to take supervisory action based on the outcomes of the common framework.
2.892.	AEIP	Q75	No. Using the concept of the HBS for risk management requires the	Noted.

			<p>inclusion of all steering and adjustment instruments. In case the HBS funding ratio would then be too low, there are no further instruments available for recovery. In this case the recovery plan cannot be set up; it is already included in the HBS through steering and adjustment instruments available to the IORP. The only signal the HBS can give is that the pension deal is possibly not sustainable (given current market prices). Apart from that, there also are practical problems with the HBS. 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. To conclude, the HBS might potentially add value as an instrument for risk management, but less complex 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, which deprive the HBS from its final use.</p>	
2.893.	Aon Hewitt	Q75	<p>The proposed new IORP Directive contains new powers for competent authorities to take supervisory action based on their own risk assessments. We think that providing a specific requirement to take action based on the Pillar 2 assessment of the HBS is therefore unnecessary.</p>	<p>Partially agreed, EIOPA advises that national supervisory authorities should have sufficient powers to take supervisory action based on the outcomes of the common framework.</p>

2.894.	Association of Pension Lawyers	Q75	<p>1. Clearly this depends on the nature and appropriateness of the supervisory action as well as the content and methodologies used in the HBS.</p> <p>2. In principle, we would think it could be appropriate to require an IORP to cease to increase its liabilities (i.e. cease future accrual or restrict the provision of new benefits including providing benefit increases which are not already unconditional) or not to accept transfers from other IORPs if a certain level of capital funding is not met or certain elements of the HBS do not balance.</p> <p>3. Empowering authorities to take other steps such as forcing the IORP to wind up or transfer its assets and liabilities to another entity could result in further unnecessary detriment to the members and beneficiaries or to the sponsors or could amount to an interference with the pension contract and its conditions under national and social and labour law which is not justified by any duly conferred EU legislative authority. EIOPA has noted itself the risk of treating pension schemes as hard guarantees which were in fact meant to be different (para.5.70). EIOPA has also noted that the prudential framework should not aim at reducing the frequency and severity of pension protection schemes being triggered below the level accepted under national social and labour law (para 5.48). We agree with this.</p>	<p>Partially agreed.</p> <p>EIOPA advises that any supervisory actions based on the outcomes of the common framework should be taken by national supervisors, if deemed necessary to achieve its objectives as defined by EU/national law.</p>
2.895.	BAPI	Q75	<p>Q75: Do stakeholders agree that competent authorities should be empowered to take supervisory action based on the pillar 2 assessment of the HBS? Please explain and, if yes, what action?</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</p>	<p>Noted.</p> <p>Any supervisory action by national supervisors is expected to take into account national funding requirements.</p>

			<p>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. Besides other tools which might be more appropriate for small and medium sized IORPs, the HBS can be used as a risk tool to support the adequacy and sustainability check of the funding/capital requirements of the pension scheme. IORPs can use the results of the risk management tools such as the HBS and/or other tools to give the supervisor more comfort about the sustainability of the pension scheme but the supervisory action should be based on the funding/capital requirements as defined by the Member State.</p>	
2.896.	Barnett Waddingham LLP	Q75	We remain fundamentally opposed to the holistic balance sheet approach as envisaged by EIOPA.	Noted.
2.897.	BASF SE	Q75	No. Competent authorities should continue to use the locally established rules.	Noted.
2.898.	British Telecommunications plc	Q75	Q75: Do stakeholders agree that competent authorities should be empowered to take supervisory action based on the pillar 2 assessment of the holistic balance sheet? Please explain and, if yes, what action?	Agreed, EIOPA advises that any supervisory actions based on the outcomes of the

			This should be left to the supervisors of individual member states to determine.	common framework should be taken by national supervisors.
2.899.	Compass Group PLC	Q75	<p>Q75: Do stakeholders agree that competent authorities should be empowered to take supervisory action based on the pillar 2 assessment of the holistic balance sheet? Please explain and, if yes, what action?</p> <p>This should be left to the supervisors of individual member states to determine.</p>	Agreed, EIOPA advises that any supervisory actions based on the outcomes of the common framework should be taken by national supervisors.
2.900.	D & L Scott	Q75	No. The United Kingdom Pensions Regulator has advised trustees to have a «complete financial management plan» which goes far beyond what a holistic balance sheet may entail. I believe such a plan is far more helpful to trustees for decision-making and monitoring.	Noted.
2.901.	EAPSPI	Q75	<p>No. Competent authorities should continue to use the locally established rules.</p> <p>EAPSPI is of the opinion that the qualitative requirements in the Fourth IORP II Compromise Draft of the Italian Presidency, in particular Art. 29 (Risk Evaluation for Pensions) is more than sufficient with respect to risk management requirements for IORPs. -But if the HBS should be introduced at all, it should be used exclusively as a risk management tool (i.e. EAPSPI prefers option 3 or example 6 of EIOPA's suggestions on how to use the HBS)</p>	Partially agreed, EIOPA advises that any supervisory actions based on the outcomes of the common framework should be taken by national supervisors.

			without public disclosure and in combination with the use of the balancing item approach. Regulatory consequences of the HBS analysis within the risk management should be determined by national supervisors (i.e. recovery plans with long recovery periods).	
2.902.	EEF	Q75	If they are not, it begs the question of what is the purpose of developing the HBS process and requiring organisations to transition across to using the HBS. At the very least, national regulators should have the powers to ask questions about the results.	Agreed.
2.903.	Eversheds LLP	Q75	<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>However, if the holistic balance sheet is used as a risk management tool as part of the pillar 2 requirements, we think that it is essential that competent authorities in Member States are empowered to take supervisory action based upon it if appropriate action is not taken by the relevant IORP and/or sponsor.</p>	Agreed.
2.904.	FFSA	Q75	Yes, that competent authorities should be empowered to take supervisory action based on the pillar 2 assessment of the holistic balance sheet, provided that the HBS should also be used as a starting point to calculate Pillar I requirements.	Agreed, common framework includes sufficient powers for national authorities to supervisory action

				based on outcomes of common framework.
2.905.	FVPK	Q75	<p>Do stakeholders agree that competent authorities should be empowered to take supervisory action based on the pillar 2 assessment of the holistic balance sheet? Please explain and, if yes, what action?</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p> <p>If there would be a use of HBS in pillar 2 (although this causes no significant improvement in security of pensions in Austria as described in answer to Q73) FVPK thiks that authorities should be empowered to take supervisory action as long as HBS is not the only source to take supervisory action.</p>	<p>Agreed, any supervisory action by national supervisors is expected to take into account other considerations, such as national funding requirements or other risk-management instruments.</p>
2.906.	GDV	Q75	<p>Do stakeholders agree that competent authorities should be empowered to take supervisory action based on the pillar 2 assessment of the holistic balance sheet? Please explain and, if yes, what action?</p> <p>If the holistic balance sheet is used as part of pillar 1, then the approach taken for pillars 2 and 3 should correspond to the provisions in the currently revised IORP Directive and the well-</p>	<p>Noted, EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.</p>

			established rules in other sectors. Moreover, the risk evaluation should not increase the capital requirements imposed on IORPs.	
2.908.	Heathrow Airport Limited	Q75	<p>Q75: Do stakeholders agree that competent authorities should be empowered to take supervisory action based on the pillar 2 assessment of the holistic balance sheet? Please explain and, if yes, what action?</p> <p>Heathrow Airport is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</p> <p>This should be left to the supervisors of individual member states to determine.</p>	Agreed, EIOPA advises that any supervisory actions based on the outcomes of the common framework should be taken by national supervisors.
2.909.	Hoechst-Gruppe VVaG	Q75	<p>No. Competent authorities should continue to use the locally established rules.</p> <p>From our perspective the qualitative requirements in the Council's General Approach regarding IORP II from 10 December 2014, in particular Art. 29 (Risk Evaluation for Pensions) is more than sufficient.</p>	Noted.
2.910.	IFoA	Q75	The IFoA considers that the HBS should not be prescribed for this purpose.	Noted.

2.911.	IVS	Q75	Not until the complete model has been drawn up. In theory, if the HBS/HPF is appropriately developed, it may be a reasonable tool for a pillar 2 assessment, if all the IORP-specific aspects have been taken appropriately into account. See our General Comments for an explanation of "HBS/HPF".	Noted.
2.912.	Jane Marshall Consulting	Q75	No.National regulators should take supervisory action on the basis set out in their national law and regulation.	Noted.
2.913.	NAPF	Q75	<p>Q75: Do stakeholders agree that competent authorities should be empowered to take supervisory action based on the pillar 2 assessment of the holistic balance sheet? Please explain and, if yes, what action?</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 argued in previous answers, the NAPF sees no need for the Holistic Balance Sheet, not least because it would duplicate the new risk monitoring requirements set out in the proposed Risk Evaluation for Pensions report in the revised IORP Directive.</p>	Noted.
2.916.	Pensioenfederatie	Q75	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	<p>Noted.</p> <p>There would be possible supervisory actions not already</p>

			<p>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. Using the concept of the HBS for risk management requires the inclusion of all steering and adjustment instruments. In case the HBS funding ratio would be too low, there are no further instruments available for recovery. In this case the recovery plan cannot be set up; it is already included in the HBS through steering and adjustment instruments available to the IORP. The only signal the HBS can give is that the pension agreement is possibly not sustainable (given current market prices). Apart from that, there also are practical problems with the HBS. 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. To conclude, the HBS might potentially add value as an instrument for risk management, but less complex 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>included in the common framework, such as strengthening of governance arrangements, reducing mismatch risk, accelerating sponsor support/benefit adjustment...</p>
2.917.	PensionsEurope	Q75	<p>Do stakeholders agree that competent authorities should be empowered to take supervisory action based on the pillar 2 assessment of the holistic balance sheet? Please explain and, if yes,</p>	<p>Noted.</p> <p>There would be possible supervisory</p>

			<p>what action?</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>Using the concept of the HBS for risk management/pillar 2 requires the inclusion of all security and adjustment instruments. In case the HBS funding ratio would then be too low, there are no further instruments available for recovery. In this case the recovery plan cannot be set up; it is already included in the HBS through security mechanisms and adjustment instruments available to the IORP. The only signal the HBS can give is that the pension agreement is possibly not sustainable (given current market prices).</p> <p>For us, this a major shortcoming in the concept of the HBS and its use as a supervisory tool. Obviously, this conceptual issue leads to a situation where no supervisory action is possible. That is why we think the competent authorities should continue to use the locally established rules.</p>	<p>actions not already included in the common framework, such as strengthening of governance arrangements, reducing mismatch risk, accelerating sponsor support/benefit adjustment...</p>
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2.918.	Punter Southall	Q75	No. The existing funding and risk management regimes in place at a national level are already adequate.	Noted.
2.921.	RPTCL	Q75	At present, many member states (such as the UK) already have a supervisory authority which can take appropriate action on scheme funding issues. Therefore, there does not appear to be a need to base supervisory actions on holistic balance sheet trigger points.	Noted.
2.922.	Society of Pension Professionals	Q75	<p>Do stakeholders agree that competent authorities should be empowered to take supervisory action based on the pillar 2 assessment of the holistic balance sheet? Please explain and, if yes, what action?</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>Noted.</p> <p>EIOPA advises that national supervisory authorities should have sufficient powers to take supervisory action based on the outcomes of the common framework.</p>

			The competent authorities in the UK already have sufficient powers to call for information and, in the light of that information, to then take enforcement action where necessary. These include powers to address any governance (pillar II) short-comings, including – in extremis – replacing those running IORPs. Furthermore, the NCA can force the IORP to modify future accrual (including cease accrual) if necessary – as well as other many other measures relating to funding provisions.	
2.923.	Towers Watson	Q75	<p>Do stakeholders agree that competent authorities should be empowered to take supervisory action based on the pillar 2 assessment of the holistic balance sheet? Please explain and, if yes, what action?</p> <p>The competent authorities in the UK already have sufficient powers to call for information and, in the light of that information, to then take enforcement action where necessary. These include powers to address any governance (pillar II) short-comings, including – in extremis – replacing those running IORPs. Furthermore, the NCA can force the IORP to modify future accrual (including cease accrual) if necessary – as well as other many other measures relating to funding provisions.</p>	<p>Noted.</p> <p>EIOPA advises that national supervisory authorities should have sufficient powers to take supervisory action based on the outcomes of the common framework.</p>
2.924.	United Utilities Group	Q75	<p>Q75: Do stakeholders agree that competent authorities should be empowered to take supervisory action based on the pillar 2 assessment of the holistic balance sheet? Please explain and, if yes, what action?</p> <p>This should be left to the supervisors of individual member states to determine.</p>	<p>Agreed, EIOPA advises that any supervisory actions based on the outcomes of the common framework should be taken by national supervisors.</p>
2.925.	ZVK-Bau	Q75	No. Supervisory authorities should not take action based on an	Noted.

			arbitrary and porous framework like the HBS.	
2.926.	OPSG	Q76	<p>The OPSG considers application of the HBS more sensible for pillar 2 than 1 and 3 (also see our answer to question 72). If the HBS will be used for pillar 2, any relevant information should be reported in one way or another to scheme members and beneficiaries (pillar 3). In pillar 2, preferably all steering instruments that will have a (market) value should be included, also non-legally enforceable sponsor support. If this would have a positive value, it should not be disregarded. So when applying the HBS to pillar 2, the OPSG would prefer option 1.</p> <p>The existence of some form of non-legally enforceable sponsor support will contribute to the safety of the pension promise as the employer may make additional contributions to meet underfunding when it arises. Therefore one could be in favour of the option to include the non-legally enforceable sponsor support in the HBS. However, individual IORPs are best suited to decide if and how to include this, subject to approval of the national supervisor. As there is a link to IFRS in the sense there is a need for a realistic picture of liabilities of a sponsor, the IORP should be able to address this issue with their sponsor(s). The local supervisor should then assess the method used and the viability of the assumptions and resulting outcome.</p>	<p>Noted.</p> <p>EIOPA advises in its opinion to the European institutions that non-legally enforceable sponsor support should be recognised on the common framework's balance sheet (but valued separately from legally enforceable sponsor support for transparency reasons and based on a realistic assessment of the likelihood of this support being continued in the future).</p>
2.927.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q76	<p>We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept we support the recognition of non-legally enforceable sponsor support in specific situations.</p> <p>Legally enforceable sponsor support may come in a form that is complicated to operate for sponsors. Therefore they may choose a</p>	<p>Noted. See the response to the OPSG comment (2.926).</p>

			<p>form of sponsor support that is easy to perform for them and easy to assess for the IORP but not legally enforceable. For example to lift contributions or provide additional resources instead of making up for any shortfall of the IORP against members and beneficiaries individually.</p> <p>Additionally we would like to come back to the question of a “last man standing principle” as discussed above (Q 65): In these cases where a 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 and social partners as representatives of the sponsors act as if it was available we suggest that a practical application of “last man standing” in the past a collective funding of the scheme should also be recognized as being at the disposition of the IORP.</p> <p>Therefore we suggest to recognise all forms of non-legally enforceable sponsor support if can be shown from historical data that it has been provided 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.</p>	
2.928.	ACA	Q76	Option 1.	Noted. See the response to the OPSG comment (2.926).
2.929.	Actuarial Association of Europe	Q76	We agree that in countries where sponsor support is not generally legally enforceable (e.g. Ireland), many sponsoring employers, particularly larger multinational or semi-state employers, have provided additional support to IORPs when required, and are	Noted. See the response to the OPSG comment (2.926).

			<p>committed to doing so in future, on a voluntary basis. To place no value on this “non-legally enforceable sponsor support” understates the actual security of the pension entitlements, but equally it would be inappropriate to place the same value as on legally enforceable sponsor support.</p> <p>We suggest that the IORP be required to determine a value, making whatever discount it considers appropriate for the voluntary nature of the support (which may depend on the provisions of the IORP documents, other legally binding agreements and the company’s structure) and the supervisory authority could challenge this if they considered the value inappropriate i.e. Option 1.</p>	
2.930.	AEIP	Q76	<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>The existence of some form of non-legally enforceable sponsor support will contribute to the safety of the pension promise. Therefore one could be in favour of the option to include the non-legally enforceable sponsor support in the HBS. However, individual IORPs are best suited to decide if and how to include this.</p>	<p>Noted. See the response to the OPSG comment (2.926).</p>

			<p>We support the recognition of non-legally enforceable sponsor support because this is the only way to give a complete picture of reality within the conceptual framework.</p> <p>The local supervisor should then assess the method used and the viability of the assumptions and resulting outcome.</p>	
2.931.	Aon Hewitt	Q76	<p>We think Option 1 should be included ie include non-legally enforceable sponsor support on the HBS. This will help to facilitate greater understanding of the potential assets available to the IORP, and so generate better informed decision making by IORPs and competent authorities. We also think it would be appropriate for non-legally enforceable sponsor support to be shown separately from legally enforceable sponsor support.</p>	<p>Noted. See the response to the OPSG comment (2.926).</p>
2.932.	Association of Pension Lawyers	Q76	<ol style="list-style-type: none"> 1. Option 1 – i.e. include non-legally enforceable sponsor support on the HBS. 2. To do otherwise (i.e. to exclude such sponsor support) would be to fail to recognise a significant measure of security for the benefits of members and beneficiaries of IORPs and, depending on the use that is made of the HBS, could result in unnecessary and inefficient Pillar 1 capital requirements, unnecessary and inappropriate Pillar 2 interventions or the need to qualify any Pillar 3 disclosures to avoid unnecessary alarm. 3. Non-legally enforceable sponsor support is not available in situations of insolvency but in other situations may be substantially relied on because it may be supported by commercial and reputational pressures and labour relations. 	<p>Noted. See the response to the OPSG comment (2.926).</p>
2.933.	BAPI	Q76	<p>Q76: Which of the two options for recognizing non-legally</p>	<p>Noted. See the response to the OPSG</p>

			<p>enforceable sponsor support do stakeholders support? Please explain why you support this option.</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>Assuming the HBS will be used as a risk management tool, we prefer option 1, to include non-legally enforceable sponsor support on the HBS. Although we believe that for reasons of proportionality not all IORPs can be forced to use complex models to value this non-legally enforceable sponsor support, especially not if the funding position is as such that there is no need for non-enforceable sponsor support. Due to transfer pricing local subsidiaries of multinational groups might lack of sponsor support. Especially these sponsors should be enabled to bring in non-legally enforceable sponsor support on the HBS.</p>	<p>comment (2.926).</p>
2.934.	BASF SE	Q76	In Germany sponsor support is generally always legally	Noted. See the response to the OPSG

			enforceable.	comment (2.926).
2.935.	Better Finance	Q76	Better Finance prefers Option 2. The rationale behind our preference is that only the sponsor has the right to decide on support. The willingness of the sponsor should be irrelevant when considering assets available to cover the liabilities. Once the sponsor decides to provide support and his decision becomes enforceable; the sponsor support can appear on HBS of respective IORP. Otherwise, this item on HBS would be misleading for the participants (members, other sponsors, even regulatory authorities).	Noted. See the response to the OPSG comment (2.926).
2.936.	Compass Group PLC	Q76	Q76: Which of the two options for recognising non-legally enforceable sponsor support do stakeholders support? Please explain why you support this option.	
2.937.	D & L Scott	Q76	As the question is framed in relation to a holistic balance sheet only, I support neither option. Non-legally enforceable support is already taken into account by United Kingdom IORP trustees in their objective assessment of employer covenant, as required by regulatory codes of practice, which are also strictly non-legal.	Noted. See the response to the OPSG comment (2.926).
2.938.	Eversheds LLP	Q76	Eversheds cannot see any rationale for recognising non-legally enforceable sponsor support on the holistic balance sheet on the basis that the prospects of such support being providing to the IORP in the future or in the event that it is needed is too uncertain for reliance to be placed upon it in assessing an IORP's solvency.	Noted. See the response to the OPSG comment (2.926).
2.939.	FFSA	Q76	Cf. Q 29 - Non-legally enforceable sponsor support cannot be included in the HBS. Only legally enforceable sponsor for wich a clear definition is needed to be stated at EU level should be recognised in the HBS.	Noted. See the response to the OPSG comment (2.926).

2.940.	FSUG	Q76	FSUG prefers Option 2. The rationale behind our preference is that only the sponsor has the right to decide on support. The willingness of the sponsor should be irrelevant when considering assets available to cover the liabilities. Once the sponsor decides to provide support and his decision becomes enforceable; the sponsor support can appear on HBS of respective IORP. Otherwise, this item on HBS would be misleading for the participants (members, other sponsors, even regulatory authorities).	Noted. See the response to the OPSG comment (2.926).
2.941.	GDV	Q76	Which of the two options for recognising non-legally enforceable sponsor support do stakeholders support? Please explain why you support this option.	
2.943.	Heathrow Airport Limited	Q76	Q76: Which of the two options for recognising non-legally enforceable sponsor support do stakeholders support? Please explain why you support this option.	
2.944.	Hoechst-Gruppe VVaG	Q76	<p>We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept we support the recognition of non-legally enforceable sponsor support in specific situations.</p> <p>Legally enforceable sponsor support may come in a form that is complicated to operate for sponsors. Therefore they may choose a form of sponsor support that is easy to perform for them and easy to assess for the IORP but not legally enforceable. For example to lift contributions or provide additional resources instead of making up for any shortfall of the IORP against members and beneficiaries individually.</p>	Noted. See the response to the OPSG comment (2.926).

			<p>Additionally we would like to come back to the question of a “last man standing principle” as discussed above (Q 65): In these cases where a 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 and social partners as representatives of the sponsors act as if it was available we suggest that a practical application of “last man standing” in the past a collective funding of the scheme should also be recognized as being at the disposition of the IORP.</p> <p>Therefore we suggest to recognise all forms of non-legally enforceable sponsor support if can be shown from historical data that it has been provided 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.</p>	
2.945.	IFoA	Q76	The IFoA considers that national supervisors should give guidance on the approach to be used, but that the HBS should not be prescribed for this purpose.	Noted. See the response to the OPSG comment (2.926).
2.946.	IVS	Q76	Option 1 clearly appears to be more sensible to us because leaving non-legally enforceable sponsor support out of the HBS/HPF would negate the “holistic” character that the HBS/HPF is supposed to fulfil. Sponsor Support of any kind is one of the elements fundamental differentiating IORPs from other financial institutions. See our General Comments for an explanation of “HBS/HPF”.	Noted. See the response to the OPSG comment (2.926).
2.947.	Jane Marshall Consulting	Q76	As we make clear, we do not believe that there is a role for additional EU level regulatory action in those member states which	Noted.

			already have a robust system of law and regulation. The additional costs and other significant impacts on business and investment are unjustified. For these reasons we do not propose to respond to questions on the detailed components of a holistic balance sheet the concept of which we believe is flawed.	
2.948.	NAPF	Q76	<p>Q76: Which of the two options for recognising non-legally enforceable sponsor support do stakeholders support? Please explain why you support this option.</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>The NAPF would not support the inclusion of non-legally-enforceable sponsor support, as this would risk giving an inflated view of the support for the scheme.</p>	Noted. See the response to the OPSG comment (2.926).
2.951.	Pensioenfederatie	Q76	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.	Noted. See the response to the OPSG comment (2.926).

			<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 existence of some form of non-legally enforceable sponsor support will contribute to the safety of the pension promise. Therefore one could be in favour of the option to include the non-legally enforceable sponsor support in the HBS. However, individual IORPs are best suited to decide if and how to include this. As there is a link to IFRS in the sense that there is a need for a realistic picture of the sponsor’s liabilities, the IORP should be able to address this issue with its sponsor(s). The local supervisor should then assess the used method and the viability of the assumptions and resulting outcome.</p>	
2.952.	PensionsEurope	Q76	<p>Which of the two options for recognising non-legally enforceable sponsor support do stakeholders support? Please explain why you support this option.</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>The existence of some form of non-legally enforceable sponsor support will contribute to the safety of the pension promise even if it could risk giving an inflated view of the support for the scheme in</p>	<p>Noted. See the response to the OPSG comment (2.926).</p>

		<p>some cases. Therefore one could be in favour of the option to include the non-legally enforceable sponsor support in the HBS. However, individual IORPs are best suited to decide if and how to include this. As there is a link to IFRS in the sense there is a need for a realistic picture of the sponsor's liabilities, the IORP should be able to address this issue with its sponsor(s). The local supervisor should then assess the method used and the viability of the assumptions and resulting outcome.</p> <p>We note that legally enforceable sponsor support may come in a form that is complicated to operate for sponsors. Therefore they may choose a form of sponsor support that is easy to perform for them and easy to assess for the IORP but not legally enforceable. For example to lift contributions or provide additional resources instead of making up for any shortfall of the IORP against members and beneficiaries individually.</p> <p>Additionally we would like to come back to the question of a "last man standing principle". In these cases where a 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 and social partners as representatives of the sponsors act as if it was available), we suggest that a practical application of "last man standing principle" as a collective funding of the scheme (using historical data) should also be recognised as being at the disposition of the IORP.</p> <p>Therefore we suggest to recognise all forms of non-legally</p>	
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			enforceable sponsor support if can be shown from historical data that it has been provided 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.	
2.953.	Punter Southall	Q76	Option 1	Noted. See the response to the OPSG comment (2.926).
2.956.	RPTCL	Q76	We do not believe it appropriate to use the holistic balance sheet as a supervisory response tool. In our experience there are vastly different types of non-legally enforceable sponsor support and it is just not possible to generalise about how these should be treated.	Noted. See the response to the OPSG comment (2.926).
2.957.	Society of Pension Professionals	Q76	<p>Which of the two options for recognising non-legally enforceable sponsor support do stakeholders support? Please explain why you support this option.</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to</p>	Noted. See the response to the OPSG comment (2.926).

			<p>harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>As such support continues to have value, it seems sensible for national competent authorities to include this within an ,HBS' style framework where they consider it appropriate. Clearly valuing such support is challenging and most appropriately determined, again, at Member State level.</p>	
2.958.	Towers Watson	Q76	<p>Which of the two options for recognising non-legally enforceable sponsor support do stakeholders support? Please explain why you support this option.</p> <p>As such support continues to have value, it seems sensible for national competent authorities to include this within an ,HBS' style framework where they consider it appropriate. Clearly valuing such support is challenging and most appropriately determined, again, at Member State level.</p>	Noted. See the response to the OPSG comment (2.926).
2.959.	United Utilities Group	Q76	<p>Q76: Which of the two options for recognising non-legally enforceable sponsor support do stakeholders support? Please explain why you support this option.</p>	
2.960.	ZVK-Bau	Q76	<p>Within this unfitting concept we support the recognition of non-legally enforceable sponsor support in specific situations.</p> <p>Legally enforceable sponsor support may come in a form that is complicated to operate for sponsors. Therefore they may choose a form of sponsor support that is easy to perform for them and easy to assess for the IORP but not legally enforceable. For example to lift contributions or provide additional resources instead of making up for any shortfall of the IORP against members and beneficiaries</p>	Noted. See the response to the OPSG comment (2.926).

			<p>individually.</p> <p>Additionally we would like to come back to the question of a “last man standing principle” as discussed above (Q 65): In these cases where a 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 and social partners as representatives of the sponsors act as if it was available we suggest that a practical application of “last man standing” in the past a collective funding of the scheme should also be recognized as being at the disposition of the IORP.</p> <p>Therefore we suggest to recognise all forms of non-legally enforceable sponsor support if can be shown from historical data that it has been provided 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.</p>	
2.961.	OPSG	Q77	<p>The OPSG considers application of the HBS more sensible for pillar 2 than 1 and 3 (also see answer to question 72). In pillar 2, preferably all steering instruments that will have a (market) value should be included, also the PPS. If this would have a positive value, it should not be disregarded.</p> <p>Also the existence of a pension protection scheme (PPS) will contribute to the safety of the pension promise. Therefore one could be in favour to include the value of the PPS on the HBS. However, in the case of the inclusion of the PPS, EIOPA has to monitor the financial strength of these PPSs. This has to be done on a macro scale, otherwise the systematic risk of such schemes are not taken into account in the value.</p>	<p>Partially agreed.</p> <p>EIOPA advises in its opinion to the European institutions to include pension protection schemes in the common framework’s balance sheet.</p>

			<p>In general, PPS should be valued as a balancing item on the holistic balance sheet – but if and only if all liabilities are recognised by the PPS. 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. – for the following reasons 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 conditions a PPS would have to fulfil (4.139), which the OPSG supports. <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 labour law, which protects members and beneficiaries against insolvency of their employers. A European prudential framework should not aim at changing the level of security which is accepted under national social and labour law. <input type="checkbox"/> PPS fulfil their task on a regular and ongoing basis. They are not a last resort mechanism, like insurance guarantee schemes. So they cannot be excluded from the HBS on the grounds that they are similar to insurance guarantee schemes, even if one accepts a need for consistency with the insurance framework. <input type="checkbox"/> PPS can be financed by tens of thousands of sponsors of 	
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			<p>different industry sectors and nationwide, 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 not to include pension protection schemes as a form of collective sponsor support like for example for 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>Not taking pension protection schemes into account in the HBS would therefore remove it even further from the reality of occupational pensions in European Member States.</p>	
2.962.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q77	<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>Partially agreed. EIOPA advises in its opinion to the European institutions to include pension protection schemes in the common framework's balance</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 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 	<p>sheet.</p>
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		<p>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.</p> <ul style="list-style-type: none"> <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. <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</p>	
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			<p>therefore remove it even further from the reality of occupational pensions in some European Member States.</p> <p>The answers to Q35 and Q71 were:</p> <p>Q35: We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept the answer is “Yes, but”. We underline that all kinds of benefit reduction mechanisms should be treated as a last resort item at any time. We agree with the conclusion that if a benefit reduction mechanism is available and not limited it generates the ultimate mechanism for the IORP’s sustainability and should be valued as balancing item.</p> <p>But we do not see any dichotomy of a direct approach and the balancing item approach and would not restrict the recognition of a benefit reduction mechanism to cases of unlimited reductions. Applying one or the other approach should be determined by the kind of benefit reduction available. We suggest to use a kind of direct approach that differs from the one provided within the consultation in cases of a “restricted” benefit reduction mechanism. If agreements/bylaws or national law and other regulations allow for a benefit reduction but restrict that to a certain amount this mechanism should be recognized directly up to its legal or regulatory limits. There should be no use of probability or predictability based on past policies within this approach.</p> <p>In case of an unlimited benefit reduction mechanism the balancing item approach should kick in.</p>	
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		<p>Additionally we do not agree with the approach of valuing all other items of a holistic balance sheet first before recognizing any benefit reduction mechanisms as mentioned in 4.91 last sentence.</p> <p>It is an unnecessary and costly exercise to value all mechanisms and “assets” that qualify as balancing items on the holistic balance sheets if IORPs dispose of more than one. In Germany for example all IORPs dispose of two items, but not necessarily the same. Pensionsfonds and some form of Pensionskassen combine legally enforceable sponsor support with a pension protection scheme, another form of Pensionskassen combines legally enforceable sponsor support with an ex ante benefit reduction mechanism. Bringing the possible balancing items in line on a high level could work as follows:</p> <ol style="list-style-type: none"> 1. Use legally enforceable sponsor support qualified to be recognized as balancing item. 2. If enforceable sponsor support is not sufficient, a pension protection scheme should be used. 3. Use benefit reduction mechanisms as balancing item. <p>Within the HBS it should be possible either to work through this list top down or to skip one or the other possible balancing item without valuing it thoroughly. By using the step-by-step approach the first mechanism qualified as balancing item should end the</p>	
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			<p>valuation process. Example: legally enforceable sponsor support is qualified as balancing item. End of valuation, even if there are a pension protection scheme and benefit reduction mechanisms available.</p> <p>As provided in our answers concerning sponsor support and pension protection schemes the consultation paper and therefore the whole HBS concept lacks convincing and workable answers concerning these two items of the HBS. This hampers the valuation process: either the valuation will be a very costly process or will be impossible to implement respectively will end in unconvincing results. To force IORPs to run through the whole valuation process although with a benefit reduction mechanism they provide an enforceable and easy to calculate balancing item cannot be in the interest of members and beneficiaries but has to be regarded as "l'art pour l'art".</p> <p>Another idea to deal with multiple balancing items could be: As soon as more than one of the three potential items (sponsor support, pension protection scheme or benefit reduction mechanisms) are recognized as balancing item, they could be combined into one value. This would increase uniformity and comparability across IORPs.</p> <p>Q71: 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</p>	
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			both sponsor support and PPS are in place, no separate cacluations should be required.	
2.963.	Actuarial Association of Europe	Q77	As noted, including pension protection schemes gives the members a more accurate picture of the overall security of their pensions. Accordingly we support option 1, although we recommend that the security provided by the pension protection scheme be separately quantified and reported.	Agreed.
2.964.	AEIP	Q77	<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>The existence of a pension protection scheme (PPS) will also contribute to the safety of the pension promise. Therefore the value of the PPS should be included on the HBS. However, in the case of the inclusion of the PPS, MS have to monitor the financial strength of these PPSs. This has to be done on a macro scale, otherwise the systematic risk of such schemes are not taken into account in the value.</p>	<p>Partially agreed.</p> <p>EIOPA advises in its opinion to the European institutions to include pension protection schemes in the common framework's balance sheet.</p>

2.965.	AGV Chemie	Q77	<p>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.</p> <p>The existence of a PPS contributes to the safety of the pension promise. In a holistic view a PPS should therefore be included in the HBS.</p> <p>We support the arguments for including pension protection schemes in any EU-wide framework as expressed in the Consultation paper.</p>	Agreed.
2.966.	Aon Hewitt	Q77	<p>At the moment this is specific to only a handful of member states. We think that the inclusion of pension protection schemes in risk assessments and supervisory authorities should be left to member states. Therefore Option 2: Exclude is most appropriate (other than in countries where 100% benefits are guaranteed), as it allows a PPS to provide an additional layer or protection beyond the level of confidence aimed at by supervisory framework. In the UK for example, it would then mean that financing decisions are not influenced by the presence of a PPS, and this would then be in line with the requirements of existing UK legislation.</p>	Not agreed.
2.967.	Association of Pension Lawyers	Q77	<ol style="list-style-type: none"> 1. Option 1 – i.e. include pension protection schemes. 2. In the UK, a decision was taken to provide a pension protection scheme as an alternative to requiring capital funding requirements at a level that would provide sufficient protection of 	<p>Partially agreed.</p> <p>EIOPA advises in its opinion to the European institutions</p>

			<p>members' and beneficiaries' benefit entitlements in all market cycles. This was on the basis that the required level of capital funding would otherwise be inefficient and damaging to the economy. If one were to disregard pension protection schemes a higher level of capital funding (whether or not including sponsor support) would be required without improving protection for members and beneficiaries.</p> <p>3. As already noted, EIOPA has stated that the prudential framework should not aim at reducing "the frequency and severity of pension protection schemes" being triggered below the level accepted under national social and labour law (para 5.48) and is instead concerned with the impact of the HBS on the protection of members and beneficiaries, the functioning of the internal market (including cross-border activity and consistency with the insurance framework), the economy and national IORP systems (para. 3.15).</p> <p>4. The requirement for higher capital funding that might arise from excluding pension protection systems would be bad for the economy and the UK IORP system. Disregarding pension protection schemes would distort comparisons of benefit protection and stability between IORPs or between IORPs and insured arrangements or arrangements not covered by a pension protection scheme or covered by a less adequate pension protection scheme.</p>	<p>to include pension protection schemes in the common framework's balance sheet.</p>
2.968.	BAPI	Q77	<p>Q77: Which of the two options for recognizing pension protection schemes do stakeholders support? Please explain why you support this option.</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on</p>	<p>Noted.</p>

			<p>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>	
2.969.	BASF SE	Q77	<p>We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept we prefer option 1 to include PPS.</p>	<p>Partially agreed. EIOPA advises in its opinion to the European institutions to include pension protection schemes in the common framework's balance sheet.</p>
2.970.	BDA	Q77	<p>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.</p> <p>The existence of a PPS contributes to the safety of the pension</p>	<p>Agreed.</p>

			<p>promise. In a holistic view a PPS should therefore be included in the HBS.</p> <p>We support the arguments for including pension protection schemes in any EU-wide framework as expressed in the Consultation paper.</p>	
2.971.	Better Finance	Q77	<p>Achieving a simple “yes/no” answer on this question is a rather complicated issue due to the fact, that even EIOPA recognized that “...if pension protection schemes were not included as an asset on the holistic balance sheet, the holistic balance sheet might show a (higher) gap indicating that there are not enough assets/resources available to pay the promised benefits, while in reality, due to the existence of a strong pension protection scheme, there would be enough resources available to pay the promised benefits. Even in the case of a weaker pension protection scheme, the holistic balance sheet would show a larger gap/lack of resources than would actually be the case”. On the other hand, the Pension Protection Scheme (PPS) is not the financing sponsor/member and thus should not be viewed as other source of financing. IORPs might be overwhelmingly reluctant to balance their balance sheets using “standard” tools and rely on the PPS and “better than expected future”. Therefore, the PPS can be viewed as a balancing tool and be included in HBS. The remaining question is the valuation of PPS, especially when it serves many sponsor and various IORPs. In “bad times” more sponsor and more IORPs might correlatively face higher gaps on their balance sheets. EIOPA and national regulators should therefore very closely look at the financial strength and conditions under which PPS will be called upon to help.</p>	<p>Partially agreed.</p> <p>EIOPA advises in its opinion to the European institutions to include pension protection schemes in the common framework’s balance sheet.</p>

2.972.	Compass Group PLC	Q77	Q.77: Which of the two options for recognising pension protection schemes do stakeholders support? Please explain why you support this option.	
2.973.	D & L Scott	Q77	I exclude pension protection schemes on a going concern basis. They are relevant only in relation to termination or winding up of IORPs, although in the United Kingdom levies are paid by going concern IORPs to support the costs of failed IORPs.	Not agreed.
2.974.	EAPSPI	Q77	<p>If the concept of the HBS were introduced, Pension Protection Schemes (PPS) should definitely be considered as one of the core elements of the HBS. 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>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 a balancing item by reducing sponsor default probability to zero) or directly as a 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 is that it is easier to model: in this case the sponsor support would not have to be modelled explicitly because sponsor support functions as 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</p>	<p>Partially agreed.</p> <p>EIOPA advises in its opinion to the European institutions to include pension protection schemes in the common framework's balance sheet.</p>

			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).	
2.975.	Eversheds LLP	Q77	<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 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 actual shortfall in the IORP's funding.</p>	Not agreed.
2.976.	Evonik Industries AG	Q77	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.	Agreed.

			<p>The existence of a PPS contributes to the safety of the pension promise. In a holistic view a PPS should therefore be included in the HBS.</p> <p>We support the arguments for including pension protection schemes in any EU-wide framework as expressed in the Consultation paper.</p>	
2.977.	FFSA	Q77	<p>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.</p>	Noted.
2.978.	FSUG	Q77	<p>Achieving a simple "yes/no" answer on this question is a rather complicated issue due to the fact, that even EIOPA recognized that "...if pension protection schemes were not included as an asset on the holistic balance sheet, the holistic balance sheet might show a (higher) gap indicating that there are not enough assets/resources available to pay the promised benefits, while in reality, due to the existence of a strong pension protection scheme, there would be enough resources available to pay the promised benefits. Even in the case of a weaker pension protection scheme, the holistic balance sheet would show a larger gap/lack of resources than would actually be the case.". On the other hand, the Pension Protection Scheme (PPS) is not the financing sponsor/member and thus should not be viewed as other source of financing. IORPs might be overwhelmingly reluctant to balance their balance sheets using "standard" tools and rely on the PPS and "better than expected future". Therefore, the PPS can be viewed as a balancing</p>	<p>Partially agreed.</p> <p>EIOPA advises in its opinion to the European institutions to include pension protection schemes in the common framework's balance sheet.</p>

			<p>tool and be included in HBS. The remaining question is the valuation of PPS, especially when it serves many sponsor and various IORPs. In "bad times" more sponsor and more IORPs might correlatively face higher gaps on their balance sheets. EIOPA and national regulators should therefore very closely look at the financial strength and conditions under which PPS will be called upon to help.</p>	
2.979.	GDV	Q77	<p>Which of the two options for recognising pension protection schemes do stakeholders support? Please explain why you support this option.</p> <p>The pension protection schemes should be taken into account since they contribute to the security of the pension promise in a reliable and effective way. Pension protection schemes should be placed in context with the sponsor support since they guarantee the pension promise in case of the default of a sponsor.</p>	<p>Partially agreed.</p> <p>EIOPA advises in its opinion to the European institutions to include pension protection schemes in the common framework's balance sheet.</p>
2.981.	Heathrow Airport Limited	Q77	<p>Q.77: Which of the two options for recognising pension protection schemes do stakeholders support? Please explain why you support this option.</p>	
2.982.	Hoechst-Gruppe VVaG	Q77	<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>Partially agreed.</p> <p>EIOPA advises in its opinion to the European institutions to include pension protection schemes in the common framework's balance sheet.</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 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 	
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			<p>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.</p> <ul style="list-style-type: none"> <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. <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</p>	
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			<p>pensions in some European Member States.</p> <p>The answers to Q35 and Q71 were:</p> <p>Q35: We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept the answer is “Yes, but”. We underline that all kinds of benefit reduction mechanisms should be treated as a last resort item at any time. We agree with the conclusion that if a benefit reduction mechanism is available and not limited it generates the ultimate mechanism for the IORP’s sustainability and should be valued as balancing item.</p> <p>But we do not see any dichotomy of a direct approach and the balancing item approach and would not restrict the recognition of a benefit reduction mechanism to cases of unlimited reductions. Applying one or the other approach should be determined by the kind of benefit reduction available. We suggest to use a kind of direct approach that differs from the one provided within the consultation in cases of a “restricted” benefit reduction mechanism. If agreements/bylaws or national law and other regulations allow for a benefit reduction but restrict that to a certain amount this mechanism should be recognized directly up to its legal or regulatory limits. There should be no use of probability or predictability based on past policies within this approach.</p> <p>In case of an unlimited benefit reduction mechanism the balancing item approach should kick in.</p>	
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		<p>Additionally we do not agree with the approach of valuing all other items of a holistic balance sheet first before recognizing any benefit reduction mechanisms as mentioned in 4.91 last sentence.</p> <p>It is an unnecessary and costly exercise to value all mechanisms and “assets” that qualify as balancing items on the holistic balance sheets if IORPs dispose of more than one. In Germany for example all IORPs dispose of two items, but not necessarily the same. Pensionsfonds and some form of Pensionskassen combine legally enforceable sponsor support with a pension protection scheme, another form of Pensionskassen combines legally enforceable sponsor support with an ex ante benefit reduction mechanism. Bringing the possible balancing items in line on a high level could work as follows:</p> <ol style="list-style-type: none"> 1. Use legally enforceable sponsor support qualified to be recognized as balancing item. 2. If enforceable sponsor support is not sufficient, a pension protection scheme should be used. 3. Use benefit reduction mechanisms as balancing item. <p>Within the HBS it should be possible either to work through this list top down or to skip one or the other possible balancing item without valuing it thoroughly. By using the step-by-step approach the first mechanism qualified as balancing item should end the</p>	
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			<p>valuation process. Example: legally enforceable sponsor support is qualified as balancing item. End of valuation, even if there are a pension protection scheme and benefit reduction mechanisms available.</p> <p>As provided in our answers concerning sponsor support and pension protection schemes the consultation paper and therefore the whole HBS concept lacks convincing and workable answers concerning these two items of the HBS. This hampers the valuation process: either the valuation will be a very costly process or will be impossible to implement respectively will end in unconvincing results. To force IORPs to run through the whole valuation process although with a benefit reduction mechanism they provide an enforceable and easy to calculate balancing item cannot be in the interest of members and beneficiaries but has to be regarded as "l'art pour l'art".</p> <p>Another idea to deal with multiple balancing items could be: As soon as more than one of the three potential items (sponsor support, pension protection scheme or benefit reduction mechanisms) are recognized as balancing item, they could be combined into one value. This would increase uniformity and comparability across IORPs.</p> <p>Q71: 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</p>	
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			both sponsor support and PPS are in place, no separate cacluations should be required.	
2.983.	IFoA	Q77	The IFoA considers that national supervisors should give guidance on the approach to be used, but that the HBS should not be prescribed for this purpose.	Noted.
2.984.	IVS	Q77	<p>We support option 1 because leaving PPS out of the HBS/HPF would negate the “holistic” character that the HBS/HPF is supposed to fulfil. Taking PPS into account is important because:</p> <ul style="list-style-type: none"> <input type="checkbox"/> PPS protects members and beneficiaries against insolvency of their employers (as per section 5.48). We also support the conditions under which PPS should be included (section 4.139) <input type="checkbox"/> PPS is collective sponsor support so like (individual) sponsor support it should be included in the HBS/HPF <input type="checkbox"/> Excluding pension protection schemes from the approach would mean that an essential element of occupational pensions in many countries in Europe would go unrecognized. This would not accord with the principle of a holistic view and introduce inconsistencies when comparisons are made between countries with and without a PPS. <input type="checkbox"/> Since PPS fulfil their mission on an ongoing basis and since they are not insurance guarantee schemes, they should be included in the HBS/HPF (as per section 5.49). <input type="checkbox"/> There is no justification given in the Consultation for applying option 2 – that fact must also be a reason for deleting this option. The only reason given for option 2 is not technical and leads to differing levels of security in different member states. 	<p>Partially agreed.</p> <p>EIOPA advises in its opinion to the European institutions to include pension protection schemes in the common framework’s balance sheet.</p>

			See our General Comments for an explanation of "HBS/HPF".	
2.985.	Jane Marshall Consulting	Q77	Pension protection schemes should be recognised and provide full balancing item provided they comply with EU law on the protection of pension rights on insolvency.	Partially agreed. EIOPA advises in its opinion to the European institutions to include pension protection schemes in the common framework's balance sheet.
2.986.	NAPF	Q77	<p>Q.77: Which of the two options for recognising pension protection schemes do stakeholders support? Please explain why you support this option.</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>The NAPF would prefer the first option, since including the pension protection scheme as a separate asset in its own right is more transparent than using it as an adjustment to the credit risk of the sponsoring employer.</p>	Partially agreed. EIOPA advises in its opinion to the European institutions to include pension protection schemes in the common framework's balance sheet.
2.989.	Otto Group	Q77	We prefer option 1 to include PPS on an IORP's balance sheet. Otherwise this important security mechanism for safeguarding the	Agreed.

			<p>pension promise from the beneficiaries' perspective would be neglected.</p> <p>The existence of a PPS contributes to the safety of the pension promise. In a holistic view a PPS should therefore be included in the HBS.</p> <p>We support the arguments for including pension protection schemes in any EU-wide framework as expressed in the Consultation paper.</p>	
2.990.	Pensioenfederatie	Q77	<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 existence of a pension protection scheme (PPS) will also contribute to the safety of the pension promise. Therefore one could be in favour to include the value of the PPS on the HBS. However, in the case of the inclusion of the PPS, EIOPA has to monitor the financial strength of these PPSs. This has to be done on a macro scale, otherwise the systemic risk of such schemes is not taken into account in the value.</p>	Noted.

2.991.	Pension Protection Fund	Q77	<p>We believe that it depends on the nature of the pension protection scheme and the purpose to which the balance sheet is being put. As we have stated elsewhere, in our case the PPF should not be put on the balance sheet for funding or solvency purposes. This is because 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> <p>We agree with EIOPA’s suggestion in this section that a solvency framework should not attempt to minimise the risk of employer insolvency, although as a general point we note that the best long-term support for a pension scheme is a solvent sponsor. We believe the supervisory framework should attempt to align the members’ and sponsors’ interests and acknowledge the shared interest in the long-term existence of the sponsor.</p>	Noted.
2.992.	PensionsEurope	Q77	<p>Which of the two options for recognising pension protection schemes do stakeholders support? Please explain why you support this option.</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p>	<p>Partially agreed.</p> <p>EIOPA advises in its opinion to the European institutions to include pension protection schemes in the common framework’s balance sheet.</p>

			<p>EIOPA rightly considers individual sponsor support as an important security mechanism. It would not make sense not to include pension protection schemes as a form of collective sponsor support of thousands of employers (over 90,000 in Germany for example).</p> <p>The existence of a pension protection scheme (PPS) contributes to the safety of the pension promise. PensionsEurope would prefer the first option, since including the pension protection scheme as a separate asset in its own right is more transparent than using it as an adjustment to the credit risk of the sponsoring employer. However, in the case of the inclusion of the PPS, EIOPA has to monitor the financial strength of these PPSs. This has to be done on a macro scale, otherwise the systemic risk of such schemes are not taken into account in the value.</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 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. 	
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			<p><input type="checkbox"/> PPS is a mechanism, established under national social and labour 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 labour law.</p> <p><input type="checkbox"/> PPSs fulfil their task on a regular and ongoing basis. They are not a last resort mechanism, like insurance guarantee schemes. So PPSs cannot 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, a significant level of security can therefore be taken for granted, 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>We note that 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>	
2.993.	PSVaG	Q77	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.	Agreed.

			<p>The existence of a PPS contributes to the safety of the pension promise. In an holistic view a PPS should therefore be included in the HBS.</p> <p>We support the arguments for including PPS in any EU-wide framework as expressed in the Consultation paper.</p>	
2.996.	RPTCL	Q77	<p>We do not believe it appropriate to use the holistic balance sheet as a supervisory response tool. However, if the use of the holistic balance sheet were to be pursued, we would have a preference for 'Option 1 : Include pension protection schemes. Such an approach would seem to be more transparent than to apply an adjustment to the credit risk of the sponsoring employer.</p>	<p>Partially agreed.</p> <p>EIOPA advises in its opinion to the European institutions to include pension protection schemes in the common framework's balance sheet.</p>
2.997.	Siemens Pensionsfonds	Q77	<p>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.</p> <p>The existence of a PPS contributes to the safety of the pension promise. In a holistic view a PPS should therefore be included in the HBS.</p> <p>We support the arguments for including pension protection schemes in any EU-wide framework as expressed in the Consultation paper.</p>	<p>Agreed.</p>

2.998.	Society of Pension Professionals	Q77	<p>Which of the two options for recognising pension protection schemes do stakeholders support? Please explain why you support this option.</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>We believe that the value of a pension protection scheme should be excluded from the ,HBS' framework. This is on the premise that the ,HBS' is suitable only as a guiding principle for Member States to consider for the purposes of their individual supervisory regimes and that this will, subject to the local NCA decision, only be appropriate as a risk-management tool in any event. Those countries that explicitly provide for sponsors to stand behind DB pension promises whilst solvent and a mechanism to protect</p>	Not agreed.
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			members benefits, to the extent deemed appropriate and reasonable by the Member State, where the sponsor is insolvent have no real need for an ,HBS'.	
2.999.	Towers Watson	Q77	<p>We support option 1 because, as stated at 5.51 of the consultation document "ignoring protection by a pension protection scheme would neglect an important source of security for members and beneficiaries".</p> <p>Quite how it would be taken into account is not clear cut. We note that at 5.51, EIOPA also states that a minimum level of technical provisions could be specified to be covered by financial assets in order to avoid moral hazard – whereby IORPs deliberately hold inadequate or inappropriate financial assets.</p> <p>This is something that should be determined by each Member State in relation to its own social and labour law and, in particular, its inter-relationship with the protection afforded by the Pension Protection Scheme. We note that, in particular, in the UK the national competent authority has several legal objectives, which includes protecting the interests of the Pension Protection Fund. Imposing an EU-wide basis for the supervisory framework and, in particular, any capital requirements would upset the balance in objectives that has carefully be crafted as appropriate to the UK's national pension system.</p>	<p>Partially agreed.</p> <p>EIOPA advises in its opinion to the European institutions to include pension protection schemes in the common framework's balance sheet.</p>
3.000.	United Utilities Group	Q77	Q.77: Which of the two options for recognising pension protection schemes do stakeholders support? Please explain why you support this option.	
3.001.	ZVK-Bau	Q77	Apart from the overall unfitting concept of the HBS for our scheme we prefer option 1.	<p>Partially agreed.</p> <p>EIOPA advises in its</p>

				opinion to the European institutions to include pension protection schemes in the common framework's balance sheet.
3.002.	OPSG	Q78	<p>The OPSG considers application of the HBS more sensible for pillar 2 than 1 and 3 (also see the answer to question 72). In pillar 2, preferably all benefits that will have a (market) value should be included, also pure discretionary benefits. If these would have a positive value, it should not be disregarded.</p> <p>Any quantification of these discretionary benefits will be a difficult, possibly (very) unreliable estimate. Especially any extrapolation of previously taken discretionary decisions will ignore the fact that a different position or economic circumstance will probably lead to a different outcome. Therefore recognising discretionary benefits on the HBS could not possible, but inclusion by the IORP should be done if possible and with evidence to support the valuation.</p>	<p>Agreed.</p> <p>EIOPA advises in its opinion to the European institutions to include pure discretionary benefits in the common framework's balance sheet.</p>
3.003.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q78	Yes, we agree.	Noted.
3.004.	ACA	Q78	Yes	Noted.
3.005.	Actuarial Association of Europe	Q78	Yes. Where pure discretionary benefits may be granted at some future date, but there is no reasonable expectation of them, and no basis for calculating technical provisions in respect of them, we strongly recommend that they be excluded.	Noted.
3.006.	AEIP	Q78	AEIP does not believe that the HBS might serve as an adequate tool	Noted.

			<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>As mentioned above, we see no role for the HBS in pillar one. If it were to be used in pillar one, we agree that pure discretionary benefits should not be included on an IORP's capital requirement balance sheet (but as mentioned above, we see no role for the HBS for setting capital requirements).</p>	Noted.
3.007.	Aon Hewitt	Q78	<p>Discretionary benefits can form an important part of a pension promise to members and beneficiaries. They may also be allowed for in a sponsor's financial statements as a constructive obligation. We therefore think there are cases for them to be included on the balance sheet on a country-specific basis. This should depend on the relative importance of the discretionary benefits. For example, in some countries pension increases are financed out of surpluses. If the technical provisions do not allow for pension increases, but members expect to receive pension increases, then members' expectations may not be met if pension increases are not included.</p>	<p>Partially agreed.</p> <p>EIOPA advises in its opinion to the European institutions to include pure discretionary benefits in the common framework's balance sheet.</p>
3.008.	Association of Pension Lawyers	Q78	Yes.	Noted.

3.009.	BAPI	Q78	<p>Q78: Do stakeholders agree that pure discretionary benefits should not be included on an IORP's pillar 1 balance sheet, as these do not represent a part of the benefit promise that needs to be protected by quantitative requirements? If not, what alternative options would you suggest?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>We agree.</p>	<p>Noted.</p> <p>Noted.</p>
3.010.	BASF SE	Q78	<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. From our perspective there is no alternative.</p>	<p>Noted.</p>
3.011.	Better Finance	Q78	<p>Agree.</p>	<p>Noted.</p>

3.012.	British Telecommunications plc	Q78	<p>Q78: Do stakeholders agree that pure discretionary benefits should not be included on an IORP's pillar 1 balance sheet, as these do not represent a part of the benefit promise that needs to be protected by quantitative requirements? If not, what alternative options would you suggest?</p> <p>Pure discretionary benefits should not be included on an IORP's pillar 1 balance sheet as they are discretionary.</p>	Noted.
3.013.	Compass Group PLC	Q78	<p>Q78: Do stakeholders agree that pure discretionary benefits should not be included on an IORP's pillar 1 balance sheet, as these do not represent a part of the benefit promise that needs to be protected by quantitative requirements? If not, what alternative options would you suggest?</p>	
3.014.	D & L Scott	Q78	<p>I expect actuarial advice to consider precedents and probabilities of discretionary benefits being paid as part of their assessment of technical provisions. In addition, in many cases in the United Kingdom when discretionary benefits are being proposed the trustees will negotiate additional specific contributions from the sponsor for funding purposes.</p>	<p>Partially agreed.</p> <p>EIOPA advises in its opinion to the European institutions to include pure discretionary benefits in the common framework's balance sheet.</p>
3.015.	EAPSPI	Q78	<p>Yes, EAPSPI agrees, pure discretionary aspects should not be included.</p>	Noted.
3.016.	Eversheds LLP	Q78	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA</p>	Noted.

			<p>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 would agree with this approach.</p>	Noted.
3.017.	FFSA	Q78	<p>Yes, pure discretionary benefits should not be included on an IORP's pillar 1 balance sheet, as these do not represent a part of the benefit promise that needs to be protected by quantitative requirements.</p>	Noted.
3.018.	FSUG	Q78	<p>Agree.</p>	Noted.
3.019.	GDV	Q78	<p>Do stakeholders agree that pure discretionary benefits should not be included on an IORP's pillar 1 balance sheet, as these do not represent a part of the benefit promise that needs to be protected by quantitative requirements? If not, what alternative options would you suggest?</p> <p>Pure discretionary benefits should not be considered, as these do not represent a part of the benefit promise.</p>	Noted.
3.021.	Heathrow Airport Limited	Q78	<p>Q78: Do stakeholders agree that pure discretionary benefits should not be included on an IORP's pillar 1 balance sheet, as these do not represent a part of the benefit promise that needs to be protected by quantitative requirements? If not, what alternative options would you suggest?</p>	
3.022.	Hoechst-Gruppe VVaG	Q78	<p>Yes, we agree.</p>	Noted.
3.023.	IFoA	Q78	<p>The IFoA considers that national supervisors should give guidance</p>	Partially agreed.

			on the approach to be used, but that the HBS should not be prescribed for this purpose.	EIOPA advises in its opinion to the European institutions to include pure discretionary benefits in the common framework's balance sheet.
3.024.	IVS	Q78	Yes. Pure discretionary benefits are not part of the pension promise and should therefore not be included in any kind of requirement. Including pure discretionary benefits in quantitative requirements would be misleading and give an inconsistent view on the financial situation of the IORP. In addition, the value of pure discretionary benefits is subjective and undefined. An inclusion would be contrary to achieving comparability.	Noted.
3.025.	Jane Marshall Consulting	Q78	Yes.	Noted.
3.026.	NAPF	Q78	<p>Q78: Do stakeholders agree that pure discretionary benefits should not be included on an IORP's pillar 1 balance sheet, as these do not represent a part of the benefit promise that needs to be protected by quantitative requirements? If not, what alternative options would you suggest?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p>	Noted.

			The NAPF would agree with this approach.	Noted.
3.029.	Pensioenfederatie	Q78	<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>As mentioned above, we see no role for the HBS for capital requirements. If it were to be used , we agree that pure discretionary benefits should not be included on an IORP's capital requirement balance sheet (but as mentioned above, we see no role for the HBS for setting capital requirements).</p>	<p>Noted.</p> <p>Noted.</p>
3.030.	PensionsEurope	Q78	<p>Do stakeholders agree that pure discretionary benefits should not be included on an IORP's pillar 1 balance sheet, as these do not represent a part of the benefit promise that needs to be protected by quantitative requirements? If not, what alternative options would you suggest?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro</p>	Noted.

			<p>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 mentioned above, we see no role for the HBS for quantitative requirements. If it were to be used in pillar one, we agree that pure discretionary benefits should not be included on an IORP's capital requirement balance sheet (but as mentioned above, we see no role for the HBS for setting capital requirements).</p>	Noted.
3.031.	Punter Southall	Q78	Yes	Noted.
3.034.	RPTCL	Q78	Pure discretionary benefits are not currently applicable to our IORPs. However, the proposal of not including them on an IORP's pillar 1 balance sheet seems reasonable to us.	Noted.
3.035.	Society of Pension Professionals	Q78	<p>Do stakeholders agree that pure discretionary benefits should not be included on an IORP's pillar 1 balance sheet, as these do not represent a part of the benefit promise that needs to be protected by quantitative requirements? If not, what alternative options would you suggest?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to</p>	Noted.

			<p>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>Agreed.</p>	Noted.
3.037.	Towers Watson	Q78	<p>Do stakeholders agree that pure discretionary benefits should not be included on an IORP's pillar 1 balance sheet, as these do not represent a part of the benefit promise that needs to be protected by quantitative requirements? If not, what alternative options would you suggest?</p> <p>Agreed.</p>	Noted.
3.038.	United Utilities Group	Q78	<p>Q78: Do stakeholders agree that pure discretionary benefits should not be included on an IORP's pillar 1 balance sheet, as these do not represent a part of the benefit promise that needs to be protected by quantitative requirements? If not, what alternative options would you suggest?</p>	
3.039.	ZVK-Bau	Q78	<p>Apart from the overall unfitting concept of the HBS for our scheme we agree.</p>	Noted.
3.040.	OPSG	Q79	<p>The OPSG would prefer a fourth option, related to option 3. The OPSG considers application of the HBS more sensible for pillar 2 than 1 and 3 (also see answer to question 72). In pillar 2,</p>	Agreed. EIOPA advises in its opinion to the European institutions

			<p>preferably all benefits that will have a (market) value should be included, also mixed benefits. If these would have a positive value, it should not be disregarded.</p> <p>If the HBS were to be used for pillar 1, as a result of the inclusion of all loss absorbing elements in the HBS an IORP has to build up buffers for both risks and soft benefits. This effect of double charging could be resolved if prudential supervision would focus on unconditional promises. Therefore the OPSG is in favour of not recognising mixed benefits in the HBS, especially not if the HBS would be used for capital requirements in pillar 1.</p> <p>Another issue is whether there is a legal or contractual obligation to provide these benefits. If there is no such obligation, the character of these benefits is very similar to the character of discretionary benefits.</p>	to treat mixed benefits either as pure discretionary benefits or as pure conditional benefits.
3.041.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q79	We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept we support option 3 expecting to treat mixed benefits like pure discretionary benefits, which leads to excluding mixed benefits from HBS.	Noted. See the response to the OPSG comment (3.040).
3.042.	ACA	Q79	Option 3.	Noted. See the response to the OPSG comment (3.040).
3.043.	Actuarial Association of Europe	Q79	Option 3. Where there is a reasonable expectation that mixed benefits will be granted in future, based on custom and practice or some published aspiration, it is our view that, in general, technical provisions should be included in respect of them. However, we	Noted. See the response to the OPSG comment (3.040).

			would support the proposal that this decision be made by the IORP subject to approval at the MS level.	
3.044.	AEIP	Q79	<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 Option 2, because in the case of mixed benefits there is, similar to the case of pure discretionary benefits, no contractual obligation to provide these benefits.</p>	<p>Noted.</p> <p>Noted. See the response to the OPSG comment (3.040).</p>
3.045.	Aon Hewitt	Q79	Option 3: Treat as pure discretionary or as pure conditional on a country-specific basis seems most appropriate.	Noted. See the response to the OPSG comment (3.040).
3.046.	Association of Pension Lawyers	Q79	<ol style="list-style-type: none"> 1. Option 2 or Option 3. 2. Mixed benefits as defined in para 4.70 are not part of the benefit promise and are subject to a discretionary decision-making process. They may be subject to conditionality but are not automatically payable when the objective condition is satisfied (unlike pure conditional benefits). As such, they are discretionary and not part of the benefit promise. Option 2 should apply. 	Noted. See the response to the OPSG comment (3.040).

			<p>3. However, we would accept that there may be member states where the discretion is treated as very limited under national social and labour law and that in practice such benefits are treated as conditional benefits or quasi-conditional benefits. To accommodate this we would consider Option 3 to be reasonable.</p>	
3.047.	BAPI	Q79	<p>Q79: Which of the three options for recognizing mixed benefits do stakeholders support? Please explain why you support this option.</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>From a risk management perspective, it might make sense to include a valuation for mixed benefits according to option 1 or 3 in the HBS, although there might be good reasons such as proportionality reasons, even for a risk assessment, especially for smaller and medium sized funds, not to include these mixed benefits as suggested in option 2.</p>	<p>Noted.</p> <p>Noted. See the response to the OPSG comment (3.040).</p>

3.048.	BASF SE	Q79	We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept we support option 3 since the character might be much different in the various member states.	Noted. See the response to the OPSG comment (3.040).
3.049.	Better Finance	Q79	Option 3 is the preferred one. IORP should be required to classify the mixed benefits as either pure discretionary or conditional depending on the local market characteristics and the way how these benefits are treated among members, sponsors and IORPs on a local market. The national supervisory authorities might be required to define some rules to identify the nature of mixed benefits.	Noted. See the response to the OPSG comment (3.040).
3.050.	Compass Group PLC	Q79	Q79: Which of the three options for recognising mixed benefits do stakeholders support? Please explain why you support this option.	
3.051.	D & L Scott	Q79	I prefer option 3 as it seems to be the only one which is not framed solely in the context of the holistic balance sheet.	Noted. See the response to the OPSG comment (3.040).
3.052.	Eversheds LLP	Q79	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>Eversheds would favour option 3 – allowing country-specific decisions on the treatment of mixed benefits - on the basis that a policy can be developed at a national level which takes into account the IORPs within that Member State and the national pensions</p>	<p>Noted.</p> <p>Noted. See the response to the OPSG comment (3.040).</p>

			system.	
3.053.	FFSA	Q79	Option 1: Include mixed benefits on the holistic balance sheet, but allow for full loss-absorbing capacity when calculating the net SCR.	Noted. See the response to the OPSG comment (3.040).
3.054.	FSUG	Q79	Option 3 is the preferred one. IORP should be required to classify the mixed benefits as either pure discretionary or conditional depending on the local market characteristics and the way how these benefits are treated among members, sponsors and IORPs on a local market. The national supervisory authorities might be required to define some rules to identify the nature of mixed benefits.	Noted. See the response to the OPSG comment (3.040).
3.055.	FVPK	Q79	<p>Which of the three options for recognising mixed benefits do stakeholders support? Please explain why you support this option.</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p> <p>FVPK would favour option 3 – allowing country-specific decisions on the treatment of mixed benefits. This option would be consistent with our general approach, which is to take full account of the specific circumstances of each Member State’s pensions system wherever possible.</p>	<p>Noted.</p> <p>Noted. See the response to the OPSG comment (3.040).</p>
3.056.	GDV	Q79	Which of the three options for recognising mixed benefits do	

			<p>stakeholders support? Please explain why you support this option.</p> <p>The GDV supports option 3. The national specificities should be taken into account in order to decide on the discretionary power of mixed benefits.</p>	<p>Noted. See the response to the OPSG comment (3.040).</p>
3.058.	Heathrow Airport Limited	Q79	<p>Q79: Which of the three options for recognising mixed benefits do stakeholders support? Please explain why you support this option.</p>	
3.059.	Hoechst-Gruppe VVaG	Q79	<p>We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept we support option 3 expecting to treat mixed benefits like pure discretionary benefits, which leads to excluding mixed benefits from HBS.</p>	<p>Noted. See the response to the OPSG comment (3.040).</p>
3.060.	IFoA	Q79	<p>The IFoA considers that national supervisors should give guidance on the approach to be used, but that the HBS should not be prescribed for this purpose.</p>	<p>Noted. See the response to the OPSG comment (3.040).</p>
3.061.	IVS	Q79	<p>A mixture of options 2 and 3 might be the best approach to take here; the national specificities should be taken into account in order to decide on whether the discretionary element is predominant or not.</p> <p>Also, if mixed benefits are not part of the pension promise they should therefore not be included in any kind of requirement as a matter of course. Including mixed benefits in quantitative requirements would then be misleading and give an inconsistent view on the financial situation of the IORP. In addition, the value of mixed benefits may be subjective and mostly not clearly defined. An inclusion would destroy the already limited comparability.</p>	<p>Noted. See the response to the OPSG comment (3.040).</p>

			Member states should be given a role to make reasonable decisions with their full understanding of their respective social and labour law.	
3.062.	Jane Marshall Consulting	Q79	Such decisions are for national authorities.	Noted. See the response to the OPSG comment (3.040).
3.063.	NAPF	Q79	<p>Q79: Which of the three options for recognising mixed benefits do stakeholders support? Please explain why you support this option.</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>The NAPF would favour option 3 – allowing country-specific decisions on the treatment of mixed benefits.</p> <p>This option would be consistent with the NAPF’s general approach, which is to take full account of the specific circumstances of each Member State’s pensions system wherever possible.</p>	<p>Noted.</p> <p>Noted. See the response to the OPSG comment (3.040).</p>
3.065.	Pensioenfederatie	Q79	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	Noted.

			<p>methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>We support Option 2, because in the case of mixed benefits there is, no contractual obligation to provide these benefits, similar to the case of pure discretionary benefits.</p>	<p>Noted. See the response to the OPSG comment (3.040).</p>
3.066.	PensionsEurope	Q79	<p>Which of the three options for recognising mixed benefits do stakeholders support? Please explain why you support this option.</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>PensionsEurope notes that both options 2 and 3 could be supported, as this would reflect the specificities of different occupational pension systems in the various EU Member States.</p> <p>Option 2 could be supported because in the case of mixed benefits there is, similar to the case of pure discretionary benefits, no</p>	<p>Noted.</p> <p>Noted. See the response to the OPSG comment (3.040).</p>

			<p>contractual obligation to provide these benefits.</p> <p>Option 3 could be supported – allowing country-specific decisions on the treatment of mixed benefits - as this option would be consistent with our general approach, which is to take full account of the specific circumstances of each Member State’s pensions system wherever possible.</p>	
3.067.	Punter Southall	Q79	Option 3	Noted. See the response to the OPSG comment (3.040).
3.070.	RPTCL	Q79	We would consider that treating mixed benefits in a country-specific way (i.e. Option 3) would be the most appropriate option, although we should add that such benefits are not applicable to our IORPs.	Noted. See the response to the OPSG comment (3.040).
3.071.	Society of Pension Professionals	Q79	<p>Which of the three options for recognising mixed benefits do stakeholders support? Please explain why you support this option.</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge</p>	Noted.

			<p>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 for individual Member States and their national competent authorities to determine, if they consider it appropriate.</p>	<p>Noted. See the response to the OPSG comment (3.040).</p>
3.072.	Towers Watson	Q79	<p>Which of the three options for recognising mixed benefits do stakeholders support? Please explain why you support this option.</p> <p>This is for individual Member States and their national competent authorities to determine, if they consider it appropriate.</p>	<p>Noted. See the response to the OPSG comment (3.040).</p>
3.073.	United Utilities Group	Q79	<p>Q79: Which of the three options for recognising mixed benefits do stakeholders support? Please explain why you support this option.</p>	
3.074.	ZVK-Bau	Q79	<p>Apart from the overall unfitting concept of the HBS for our scheme we prefer option 2 and exclude mixed benefits from the HBS.</p>	<p>Noted. See the response to the OPSG comment (3.040).</p>
3.075.	OPSG	Q80	<p>The OPSG considers application of the HBS more sensible for pillar 2 than 1 and 3 (also see the answer to question 72). In pillar 2, preferably all steering instruments that will have a (market) value should be included, also all benefit reduction mechanisms. If these would have a positive value, it should not be disregarded. Therefore, the OPSG supports option 3. The OPSG does not see any rationale for making a distinction between ex ante and ex post reductions.</p>	<p>EIOPA advises in its opinion to the European institutions that the common framework should apply to pillars 2/3 and that all security and benefit adjustment mechanisms should be included in the</p>

			<p>If the HBS would become the base for risk based supervisory framework in pillar 2, all options in a pension contract having impact on the benefits, including benefit reductions, should be included. The HBS is supposed to provide insight into valuation of all steering instruments available to the IORP. Excluding elements such as ex-post benefit reduction will corrupt this purpose.</p> <p>If the HBS were to be used for pillar 1, consistency with the approach of discretionary and conditional benefits as mentioned in 5.65 may be economically valid, but the legal perspective might be different, i.e. granting discretionary benefits in addition to hard basic benefits is different from cutting benefits from the same hard basic benefits.</p> <p>In a PBS like benefit statement, there will be no difference for member's (expected) benefits between ex-ante and ex-post benefit reductions. Making explicit the possibility of benefit reductions will certainly promote realistic perceptions with beneficiaries, sponsor(s) and other stakeholders of IORPs.</p>	common framework.
3.076.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q80	We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept we support the Option 2 which always allows for ex-ante benefit reductions, but make allowance for ex post benefits reduction or reductions in case of sponsor default as specified by the Member States. Since national social and labour law is crucial in this regard, any concept needs to take into account the existing differences in the Member States.	Noted. Please see the EIOPA response on row 3075.
3.077.	Actuarial Association of	Q80	Option 2. Where there is an expectation that benefits may be	Noted.

	Europe		reduced in future, based on ex-ante provisions, it is our view that, in general, these may be recognised in the HBS. We do not think that it would, in general, be appropriate or indeed practical to include ex-post reductions or reductions due to sponsor default in the HBS. However, we would support the proposal that this decision be made at the MS level.	Please see the EIOPA response on row 3075.
3.078.	AEIP	Q80	<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>Option 3 seems most sensible. The HBS is consistent only when all options are included on the balance sheet, which means that all types of benefit reductions should be included.</p> <p>In addition, in practice there is no rationale for making a distinction between ex ante and ex post reductions.</p> <p>In relation to paragraph 5.65 we would like to comment that, although the view given by EIOPA may be economically valid, the legal perspective is different, i.e. granting discretionary benefits in addition to hard benefits is legally different from cutting benefits, resulting in benefit payments below the original hard benefits.</p>	Please see the EIOPA response on row 3075.

3.079.	AGV Chemie	Q80	<p>Within this concept we support the Option 2 which always allows ex-ante benefit reductions, but make allowance for ex-post benefits reduction or reductions in case of sponsor default as specified by the Member States. Since national social and labour law is crucial in this regard, any concept needs to take into account the existing differences in the Member States.</p>	Noted.
3.080.	Aon Hewitt	Q80	<p>Options 1 and 3 may not make sense. If allowance is made for reductions upon sponsor default/insolvency, then the HBS will almost certainly balance. However the level of benefits included in the liabilities may then be far below what members expect to receive, and provide a false sense of security.</p> <p>Option 2 seems more appropriate, as it then allows decisions to be made on a country by country basis.</p> <p>If the Holistic Balance Sheet does not balance under Option 2 (ie liabilities exceed financial assets and sponsor support), then it will be clear that additional support is needed. This could be in the form of supervisory intervention or potential allowance for support that could become available if investment returns are higher than assumed in the calculation of the technical provisions.</p>	Noted.
3.081.	Association of Pension Lawyers	Q80	<ol style="list-style-type: none"> 1. Option 3 – include all benefit reductions on the HBS. 2. This is provided that the benefit reductions can be identified on the HBS. 3. The distinction between ex-ante benefit reductions, ex-post benefit reductions and reductions in case of sponsor default may not be robust. For instance, in the UK most IORPs provided from 	Noted.

			<p>outset for various benefit reduction mechanisms in response to underfunding of the IORP, including but not limited to sponsor default and including but not limited to the termination of the IORP. Those provisions have been restricted by national law and largely now apply only in case of sponsor default but could in principle apply under other conditions. In effect, ex-ante reduction mechanisms may have been recharacterised as ex-post or reductions in case of sponsor default.</p> <p>4. Including any reduction mechanism in the HBS may give a false picture of the protection for member benefits. Excluding them may however result in increasing the capital requirements, improving the pension promise or result in unnecessary or disproportionate supervisory intervention. The issue then turns on how the HBS is to be used - for Pillar 2 responses or Pillar 3 disclosure or Pillar 1 capital requirements.</p> <p>5. Provided the benefit reductions are identifiable on the HBS, we think the better approach is to include all benefit reductions.</p>	
3.082.	BAPI	Q80	<p>Q80: Which of the three options for recognizing benefit reduction mechanisms do stakeholders support? Please explain why you support this option.</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their</p>	Noted.

			<p>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 prefer option 3 which includes all kind of benefit reduction mechanisms.</p>	
3.083.	BASF SE	Q80	<p>We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept we support the Option 2 which always allows for ex-ante benefit reductions, but make allowance for ex post benefits reduction or reductions in case of sponsor default as specified by the member states.</p> <p>This would reflect national specifics best.</p>	Please see the EIOPA response on row 3075.
3.084.	BDA	Q80	<p>Within this concept we support the Option 2 which always allows ex-ante benefit reductions, but make allowance for ex-post benefits reduction or reductions in case of sponsor default as specified by the Member States. Since national social and labour law is crucial in this regard, any concept needs to take into account the existing differences in the Member States.</p>	Noted.
3.085.	Better Finance	Q80	<p>Better Finance thinks that the question should not be asked which option to adopt, but rather how to ensure, how the consequences of any option will be presented via pillar 3 measures to the members/beneficiaries to fully understand the rationale of this item. This is the key task of the regulation. If any option is adopted</p>	<p>Noted.</p> <p>EIOPA's opinion is that common framework should apply to Pillars</p>

			and such item appears on an IORP's HBS, that it should have immediate interconnection with the PBS (Pension Benefit Statement) and should trigger actions not only internally, but also by national regulatory and supervisory authorities.	2 and 3.
3.086.	Compass Group PLC	Q80	Q80: Which of the three options for recognising benefit reduction mechanisms do stakeholders support? Please explain why you support this option.	
3.087.	D & L Scott	Q80	Again the options are only framed in the context of the holistic balance sheet, so I prefer none of them. I have earlier explained the materiality of ex ante and ex post benefit reductions under Q35.	Noted.
3.088.	Eversheds LLP	Q80	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We do not think that benefit reduction mechanisms should be recognised on the holistic balance sheet on the basis that, in our view, the purpose of a prudential funding and regulatory regime is to avoid such mechanisms having to be used.</p> <p>Recognising benefit reduction mechanisms on the holistic balance sheet implies that IORPs are expected to use such mechanisms. It may also mean that the solvency position of an IORP is overstated in the holistic balance sheet which may in turn, perversely, make it more likely that such mechanisms will need to be used.</p>	Please see the EIOPA response on row 3075.

3.089.	Evonik Industries AG	Q80	Within this concept we support the Option 2 which always allows ex-ante benefit reductions, but make allowance for ex-post benefits reduction or reductions in case of sponsor default as specified by the Member States. Since national social and labour law is crucial in this regard, any concept needs to take into account the existing differences in the Member States.	Noted.
3.090.	FFSA	Q80	Option 3 wich covers 1 and 2: Include all benefit reductions on the holistic balance sheet.	Noted.
3.091.	FSUG	Q80	FSUG thinks that the question should not be asked which option to adopt, but rather how to ensure, how the consequences of any option will be presented via pillar 3 measures to the members/beneficiaries to fully understand the rationale of this item. This is the key task of the regulation. If any option is adopted and such item appears on an IORP´s HBS, that it should have immediate interconnection with the PBS and should trigger actions not only internally, but also by national regulatory and supervisory authorities.	Noted.
3.092.	FVPK	Q80	Which of the three options for recognising benefit reduction mechanisms do stakeholders support? Please explain why you support this option. FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes	Noted.

			<p>in Austria.</p> <p>Option 3 is most appropriate. The HBS is consistent only when all options are included on the balance sheet, which means that all types of benefit reductions should be included.</p>	
3.093.	GDV	Q80	<p>Which of the three options for recognising benefit reduction mechanisms do stakeholders support? Please explain why you support this option.</p> <p>The GDV prefers option 1. Ex post benefit reduction mechanisms should not be taken into account as these represent the ultimo ratio for IORPs, i. e. last rescue possibility.</p>	Please see the EIOPA response on row 3075.
3.095.	Heathrow Airport Limited	Q80	<p>Q80: Which of the three options for recognising benefit reduction mechanisms do stakeholders support? Please explain why you support this option.</p>	
3.096.	Hoechst-Gruppe VVaG	Q80	<p>We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept we support the Option 2 which always allows for ex-ante benefit reductions, but make allowance for ex post benefits reduction or reductions in case of sponsor default as specified by the Member States. Since national social and labour law is crucial in this regard, any concept needs to take into account the existing differences in the Member States.</p>	Please see the EIOPA response on row 3075.
3.097.	IFoA	Q80	<p>The IFoA considers that national supervisors should give guidance on the approach to be used, but that the HBS should not be prescribed for this purpose.</p>	Noted.

3.098.	IVS	Q80	<p>Option 3; from a holistic point of view, all reduction mechanisms should be recognized, independently from the above classification. Excluding one of the three types would mean that the HBS/HPF would be incomplete and misleading ; it would then not deserve being called holistic. In practice, the national competent authorities would be more able to judge on borderline cases, so that a requirement to include all reduction mechanisms in principle appears more sensible. See our General Comments for an explanation of "HBS/HPF".</p>	Noted.
3.099.	NAPF	Q80	<p>Q80: Which of the three options for recognising benefit reduction mechanisms do stakeholders support? Please explain why you support this option.</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>The NAPF's view is that the existence of the Pension Protection Fund (including the benefit reductions that it entails) should be recognised in the Holistic Balance Sheet in some way. This could be achieved either through a specific PPF component in the HBS, or by recognising the value of benefit reductions in the calculation of technical provisions.</p>	Noted.
3.102.	Otto Group	Q80	<p>Within this concept we support the Option 2 which always allows</p>	Noted.

			ex-ante benefit reductions, but make allowance for ex-post benefits reduction or reductions in case of sponsor default as specified by the Member States. Since national social and labour law is crucial in this regard, any concept needs to take into account the existing differences in the Member States.	
3.103.	Pensioenfederatie	Q80	<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>Option 3 seems most sensible. The HBS is consistent only if all options are included on the balance sheet, which means that all types of benefit reductions should be included.</p> <p>Additionally, in practice there is no rationale for making a distinction between ex ante and ex post reductions.</p> <p>In relation to paragraph 5.65 we would like to comment that, although EIOPA's view may be economically valid, the legal perspective is different, i.e. granting discretionary benefits in addition to hard benefits is legally different from cutting benefits, thus resulting in benefit payments below the original hard benefits.</p>	Please see the EIOPA response on row 3075.
3.104.	Pension Protection Fund	Q80	We believe option 2 is best suited to the diversity of different pension arrangements across Member States. For example in the	Noted.

			<p>Dutch pension system the benefits may be reduced by the IORP as a last resort, whereas in the UK where there is a solvent sponsor accrued benefits can only be reduced with the consent of the beneficiaries. It seems to us that the supervisors in the different Member States should have the flexibility to decide whether or not to include ex post reductions depending on the likelihood of their being applied.</p> <p>As a point of detail, we do not consider the reduction to retirement income following entry to the PPF to be as a benefit reduction per se, but rather the disappearance of the pension and its replacement by a different kind of income, i.e. compensation for the failure of the pension scheme.</p> <p>We do not think it would be appropriate in the case of the UK to include an element in the balance sheet to reflect the loss of pension income following entry to the PPF. Regardless of how the balance sheet is used by regulators, we believe it should be the pension promise that is accounted for rather than any alternative income that scheme members would receive following the failure of the pension scheme.</p>	
3.105.	PensionsEurope	Q80	<p>Which of the three options for recognising benefit reduction mechanisms do stakeholders support? Please explain why you support this option.</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at</p>	Please see the EIOPA response on row 3075.

		<p>European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>PensionsEurope notes that both options 2 and 3 could be supported, as this would reflect the specificities of different occupational pension systems in the various EU Member States.</p> <p>Option 2 might be supported as it always allows for ex-ante benefit reductions, but make allowance for ex-post benefits reduction or reductions in case of sponsor default as specified by the Member States. Since national social and labour law is crucial in this regard, any concept needs to take into account the existing differences in the Member States.</p> <p>Option 3 could be seen as most sensible. The HBS is consistent only when all options are included on the balance sheet, which means that all types of benefit reductions should be included.</p> <p>In addition, PensionsEurope notes that in practice there is no rationale for making a distinction between ex-ante and ex-post reductions.</p> <p>In relation to paragraph 5.65 we would like to comment that, although the view given by EIOPA may be economically valid, the legal perspective is different, i.e. granting discretionary benefits in addition to hard benefits is legally different from cutting benefits,</p>	
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			resulting in benefit payments below the original hard benefits.	
3.108.	RPTCL	Q80	Within our answer to Q77, we have expressed a preference for the inclusion of pension protection schemes. Within the context of our IORPs, any benefit reductions will tend to be associated with sponsor default or insolvency and, therefore, it is important that benefit reductions can be dealt with in a consistent way to pension protection schemes. We interpret either Option 2 or Option 3 as being able to accommodate such reductions. However, on the basis that Option 3 may be the most flexible approach to deal with a variety of scenarios, we have a preference for this.	Noted.
3.109.	Siemens Pensionsfonds	Q80	Within this concept we support the Option 2 which always allows ex-ante benefit reductions, but make allowance for ex-post benefits reduction or reductions in case of sponsor default as specified by the Member States. Since national social and labour law is crucial in this regard, any concept needs to take into account the existing differences in the Member States.	Noted.
3.110.	Society of Pension Professionals	Q80	Which of the three options for recognising benefit reduction mechanisms do stakeholders support? Please explain why you support this option. 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.	Please see the EIOPA response on row 3075.

			<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 for individual Member States and their national competent authorities to determine, if they consider it appropriate.</p>	
3.111.	Towers Watson	Q80	<p>Which of the three options for recognising benefit reduction mechanisms do stakeholders support? Please explain why you support this option.</p> <p>This is for individual Member States and their national competent authorities to determine, if they consider it appropriate.</p>	Noted.
3.112.	United Utilities Group	Q80	<p>Q80: Which of the three options for recognising benefit reduction mechanisms do stakeholders support? Please explain why you support this option.</p>	
3.113.	ZVK-Bau	Q80	<p>Apart from the overall unfitting concept of the HBS for our scheme we prefer option 3 and include all benefit reductions on the HBS.</p>	Noted.
3.114.	OPSG	Q81	<p>In view of the OPSG, there are no other options which should be considered.</p>	Noted.
3.115.	aba Arbeitsgemeinschaft für	Q81	<p>No, no additional options.</p>	Noted.

	betriebliche Altersve			
3.116.	Actuarial Association of Europe	Q81	No.	Noted.
3.117.	AEIP	Q81	No.	Noted.
3.118.	AGV Chemie	Q81	Yes	Noted.
3.119.	Aon Hewitt	Q81	No.	Noted.
3.120.	Association of Pension Lawyers	Q81	We think the correct approach is to recognise the level of cover for benefits subject to reduction and benefits not subject to reduction. This is standard practice in the UK based on the IORPs assets and technical provisions.	Noted.
3.121.	BAPI	Q81	<p>Q81: Are there any additional options that stakeholders believe should be considered?</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</p>	Noted.

			<p>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 our view there are no other options to consider.</p>	
3.122.	BASF SE	Q81	We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept the answer is No.	Noted.
3.123.	BDA	Q81	Yes	Noted.
3.124.	Better Finance	Q81	See response in Q80.	Noted.
3.125.	Compass Group PLC	Q81	Q81: Are there any additional options that stakeholders believe should be considered?	
3.126.	D & L Scott	Q81	I believe trustees and other fiduciaries should evaluate ex ante and ex post benefit reductions, both proposals and implemented proposals, in terms of their impact on technical provisions and also on full solvency valuations. My answer to Q35 above gives examples of how material these can be. My sense is that EIOPA (and others) may underestimate the materiality of such reductions.	Noted.
3.127.	Eversheds LLP	Q81	The option of not recognising benefit reduction mechanisms on the holistic balance sheet should be considered. We do not think that benefit reduction mechanisms should be recognised on the holistic balance sheet on the basis that in our view, the purpose of a	Not agreed. EIOPA's opinion is that

			<p>prudential funding and regulatory regime is to avoid such mechanisms having to be used.</p> <p>Recognising benefit reduction mechanisms on the holistic balance sheet implies that IORPs are expected to use such mechanisms. It may also mean that the solvency position of an IORP is overstated in the holistic balance sheet which may in turn, perversely, make it more likely that such mechanisms will need to be used.</p>	<p>all security and adjustment mechanisms should be included in the common framework.</p>
3.128.	Evonik Industries AG	Q81	Yes	Noted.
3.129.	FSUG	Q81	See response in Q80.	Noted.
3.130.	GDV	Q81	Are there any additional options that stakeholders believe should be considered?	
3.132.	Heathrow Airport Limited	Q81	Q81: Are there any additional options that stakeholders believe should be considered?	
3.133.	Hoechst-Gruppe VVaG	Q81	No, no additional options.	Noted.
3.134.	IFoA	Q81	No	Noted.
3.135.	IVS	Q81	None that appear to us as obvious at the moment.	Noted.

3.136.	NAPF	Q81	<p>Q81: Are there any additional options that stakeholders believe should be considered?</p> <p>None.</p>	Noted.
3.138.	Otto Group	Q81	Yes	Noted.
3.139.	Pensioenfederatie	Q81	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>In our view there are no other options to be considered.</p>	Noted.
3.140.	Pension Protection Fund	Q81	<p>No, we believe that all sensible permutations have been covered. One option would be to exclude all benefit reduction mechanisms, including ex ante arrangements. However, we do not think this would accurately reflect the nature of the pension promise.</p>	Noted.
3.141.	PensionsEurope	Q81	Are there any additional options that stakeholders believe should be	Noted.

			<p>considered?</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>In our view there are no other options to be considered.</p>	
3.144.	RPTCL	Q81	No, we believe that the options put forward should suffice. The required level of transparency for the use of Option 3 in Q80 could be achieved through additional specific representations in pillar 3.	Noted.
3.145.	Siemens Pensionsfonds	Q81	Yes	Noted.
3.146.	Society of Pension Professionals	Q81	<p>Are there any additional options that stakeholders believe should be considered?</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</p>	Noted.

			<p>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 for individual Member States and their national competent authorities to determine, if they consider it appropriate.</p>	
3.147.	Towers Watson	Q81	<p>Are there any additional options that stakeholders believe should be considered?</p> <p>This is for individual Member States and their national competent authorities to determine, if they consider it appropriate.</p>	Noted.
3.148.	United Utilities Group	Q81	<p>Q81: Are there any additional options that stakeholders believe should be considered?</p>	
3.149.	ZVK-Bau	Q81	<p>We cannot think of any.</p>	Noted.
3.150.	OPSG	Q82	<p>The OPSG considers application of the HBS more sensible for pillar 2 than 1 and 3 (also see the answer to question 72). If the HBS were to be used for pillar 1, the OPSG does agree that off-balance sheet capital instruments should be eligible to cover the SCR. The OPSG would like to restate though, that the concept of the HBS, requiring inclusion of all steering instruments (and thus the recovery plan) in the balance sheet and not allowing for</p>	Noted.

			projections/simulations, cannot be combined with the concept of SCR.	
3.151.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q82	We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept the answer is yes.	Noted.
3.152.	Actuarial Association of Europe	Q82	Yes. However, the concept of a HBS which recognises all steering instruments is not compatible with an SCR which considers a stressed situation.	Noted.
3.153.	AEIP	Q82	<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 off-balance sheet capital instruments should be eligible to cover the SCR.</p>	Noted.
3.154.	AGV Chemie	Q82	Yes	Noted.
3.155.	Aon Hewitt	Q82	Yes – however, we think that the use of off-balance sheet capital instruments is relatively uncommon across IORPS in the EEA, so	Noted.

			this could be determined on a case-by-case or member-state by member-state basis.	
3.156.	Association of Pension Lawyers	Q82	<p>1. We are not entirely clear what these off-balance capital instruments would be in the context of UK IORPs.</p> <p>2. Provided the off-balance capital instrument is legally enforceable and recoverable by the IORP in all circumstances it's value should be eligible to cover the SCR. We consider that these instruments should be valued in light of their availability in an underfunding scenario so that, where appropriate, a probability-weighted current value of these cash-flows represents the 'value' that can be used to cover the SCR.</p>	Noted.
3.157.	BAPI	Q82	<p>Q82: Do stakeholders agree that off-balance capital instruments should always be eligible to cover the SCR? If not, what alternative options would you suggest?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p>	Noted.

			We agree.	
3.158.	BASF SE	Q82	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.
3.159.	BDA	Q82	Yes	Noted.
3.160.	Better Finance	Q82	Agree.	Noted.
3.161.	Compass Group PLC	Q82	Q82: Do stakeholders agree that off-balance capital instruments should always be eligible to cover the SCR? If not, what alternative options would you suggest?	
3.162.	D & L Scott	Q82	I see no need for «tiering rules» and would expect any prudent evaluation of contingent support to take account of ancillary own funds and other off-balance sheet capital instruments, as well as surplus funds, escrow funds and subordinated loans.	Noted.
3.163.	EEF	Q82	Yes. Contingent assets are becoming increasingly important in balancing the need to fund the pension scheme but at a pace and in a way that does not threaten the viability of the sponsor. They should be reflected in the HBS approach therefore.	Noted.
3.164.	Eversheds LLP	Q82	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	Noted.

			<p>pension schemes.</p> <p>We are not clear what is meant by the term off-balance capital instruments, but if it includes instruments, such as contingent assets, these should be eligible to cover SCR provided these assets may be called upon by an IORP to cover their liabilities should the need arise.</p>	
3.165.	Evonik Industries AG	Q82	Yes	Noted.
3.166.	FFSA	Q82	Yes, off-balance capital instruments should always be eligible to cover the SCR.	Noted.
3.167.	FSUG	Q82	Agree.	Noted.
3.168.	FVPK	Q82	<p>Do stakeholders agree that off-balance capital instruments should always be eligible to cover the SCR? If not, what alternative options would you suggest?</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p> <p>We agree.</p>	Noted.
3.169.	GDV	Q82	Do stakeholders agree that off-balance capital instruments should	Noted.

			<p>always be eligible to cover the SCR? If not, what alternative options would you suggest?</p> <p>Off-balance capital instruments should be eligible to cover the SCR in line with well-established rules in other sectors.</p>	
3.171.	Heathrow Airport Limited	Q82	Q82: Do stakeholders agree that off-balance capital instruments should always be eligible to cover the SCR? If not, what alternative options would you suggest?	
3.172.	Hoechst-Gruppe VVaG	Q82	We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept the answer is yes.	Noted.
3.173.	IFoA	Q82	The IFoA has no comment as off-balance sheet capital instruments are not a feature of current UK IORPs.	Noted.
3.174.	IVS	Q82	<p>Yes, as the off-balance capital instruments can be used to cover the liabilities in case of losses it appears to us very unreasonable to ignore them. Excluding them would mean that the HBS/HPF would be incomplete and misleading ; it would then not deserve being called holistic.</p> <p>See our General Comments for an explanation of "HBS/HPF".</p>	Noted.
3.175.	NAPF	Q82	<p>Q82: Do stakeholders agree that off-balance capital instruments should always be eligible to cover the SCR? If not, what alternative options would you suggest?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy</p>	Noted.

			<p>and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>Off-balance sheet instruments, such as contingent assets, have a material effect on the sponsor’s contributions and on the strength of the sponsor covenant, and should logically be reflected in the HBS. They would normally be used to cover technical provisions, but, if not, they could instead be used to cover the SCR under the Holistic Balance Sheet approach.</p>	
3.178.	Otto Group	Q82	Yes	Noted.
3.179.	Pensioenfederatie	Q82	<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 off-balance sheet capital instruments should be eligible to cover the SCR.</p>	Noted.
3.180.	PensionsEurope	Q82	Do stakeholders agree that off-balance capital instruments should always be eligible to cover the SCR? If not, what alternative options would you suggest?	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>As mentioned above, we see no role for the HBS for SCR.</p> <p>We agree that off-balance sheet capital instruments should be eligible to cover the SCR. Off-balance sheet instruments, such as contingent assets, have a material effect on the sponsor’s contributions and on the strength of the sponsor covenant, and should logically be reflected in the HBS.</p>	
3.183.	RPTCL	Q82	Off-balance sheet capital instruments are not relevant to our IORPs. However, we would agree that enforceable instruments to which the IORP has access – such as « buy in » insurance arrangements – should be taken account of in assessing the strength of an IORP.	Noted.
3.184.	Siemens Pensionsfonds	Q82	Yes	Noted.
3.185.	Society of Pension Professionals	Q82	Do stakeholders agree that off-balance capital instruments should always be eligible to cover the SCR? If not, what alternative options would you suggest?	Noted.

			<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 for individual Member States and their national competent authorities to determine, if they consider it appropriate.</p>	
3.186.	Towers Watson	Q82	<p>Do stakeholders agree that off-balance capital instruments should always be eligible to cover the SCR? If not, what alternative options would you suggest?</p> <p>This is for individual Member States and their national competent authorities to determine, if they consider it appropriate.</p>	Noted.
3.187.	United Utilities Group	Q82	<p>Q82: Do stakeholders agree that off-balance capital instruments should always be eligible to cover the SCR? If not, what alternative options would you suggest?</p>	

3.188.	ZVK-Bau	Q82	Apart from the overall unfitting concept of the HBS for our scheme the answer is yes.	Noted.
3.189.	OPSG	Q83	The OPSG considers application of the HBS more sensible for pillar 2 than 1 and 3 (also see the answer to question 72). If the HBS were to be used for pillar 1, the OPSG does agree that surplus funds should be recognised on an IORP's balance sheet and could be used to cover capital requirements. The OPSG would like to restate though, that the concept of the HBS, requiring inclusion of all steering instruments (and thus the recovery plan) in the balance sheet and not allowing for projections/simulations, cannot be combined with the concept of SCR.	Noted.
3.190.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q83	We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept the answer is yes.	Noted.
3.191.	Actuarial Association of Europe	Q83	Yes. However, the concept of a HBS which recognises all steering instruments is not compatible with an SCR which considers a stressed situation.	Noted.
3.192.	AEIP	Q83	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	Noted.

			<p>doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>We agree that surplus funds should be recognised on an IORP's balance sheet and could be used to cover capital requirements.</p>	
3.193.	AGV Chemie	Q83	Yes	Noted.
3.194.	Aon Hewitt	Q83	Yes – however, we think that the use of surplus funds/own funds is relatively uncommon across IORPS in the EEA, so this could be determined on a case-by-case or member-state by member-state basis.	Noted.
3.195.	Association of Pension Lawyers	Q83	<p>1. “Surplus” is not defined. In the UK, only funds in excess of full solvency could be refunded to sponsors if that is permitted by the rules of the IORP and specific regulatory conditions are met. This only occurs very rarely.</p> <p>2. However, this is agreed assuming “surplus” in this context refers to funds in excess of technical provisions. In the UK, there is no supervisory approval required for surplus funds to be held by IORPs. Surplus funds are retained for the benefit of the scheme. Only funds in excess of full solvency may be refunded to sponsoring employers, and even then, only where there is a power under the rules of the IORP which permits such a refund and certain regulatory requirements are met.</p>	Noted.
3.196.	BAPI	Q83	Q83: Do stakeholders agree that surplus funds should always be recognized on an IORP's balance sheet and could always be used to cover capital requirements? If not, how would you suggest to treat surplus funds in this respect?	Noted.

			<p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>We agree.</p>	
3.197.	BASF SE	Q83	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.
3.198.	BDA	Q83	Yes	Noted.
3.199.	Better Finance	Q83	Agree.	Noted.
3.200.	Compass Group PLC	Q83	Q83: Do stakeholders agree that surplus funds should always be recognised on an IORP's balance sheet and could always be used to cover capital requirements? If not, how would you suggest to treat surplus funds in this respect?	

3.201.	D & L Scott	Q83	Since surplus funds are part of the own funds of an IORP I can see no reason for not recognising them in either balance sheets or cash flow forecasts.	Noted.
3.202.	Eversheds LLP	Q83	Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes. Yes.	Noted.
3.203.	Evonik Industries AG	Q83	Yes	Noted.
3.204.	FFSA	Q83	Yes, surplus funds should always be recognised on an IORP's balance sheet and could always be used to cover capital requirements.	Noted.
3.205.	FSUG	Q83	Agree.	Noted.
3.206.	FVPK	Q83	Do stakeholders agree that surplus funds should always be recognised on an IORP's balance sheet and could always be used to cover capital requirements? If not, how would you suggest to treat surplus funds in this respect? FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes	Noted.

			in Austria. We agree.	
3.207.	GDV	Q83	Do stakeholders agree that surplus funds should always be recognised on an IORP's balance sheet and could always be used to cover capital requirements? If not, how would you suggest to treat surplus funds in this respect? The GDV agrees that surplus funds should always be recognised on an IORP's balance sheet and could always be used to cover capital requirements in line with well-established rules in other sectors.	Noted.
3.209.	Heathrow Airport Limited	Q83	Q83: Do stakeholders agree that surplus funds should always be recognised on an IORP's balance sheet and could always be used to cover capital requirements? If not, how would you suggest to treat surplus funds in this respect?	
3.210.	Hoechst-Gruppe VVaG	Q83	We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept the answer is yes.	Noted.
3.211.	IFoA	Q83	Yes	Noted.
3.212.	IVS	Q83	Yes, as the surplus funds can always be used to cover liabilities of an IORP, it appears to us very reasonable to include them. Excluding them would mean that the HBS/HPF would be incomplete	Noted.

			and misleading ; it would then be even less holistic. See our General Comments for an explanation of "HBS/HPF".	
3.213.	NAPF	Q83	<p>Q83: Do stakeholders agree that surplus funds should always be recognised on an IORP's balance sheet and could always be used to cover capital requirements? If not, how would you suggest to treat surplus funds in this respect?</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, surplus funds should be included in the HBS.</p>	Noted.
3.216.	Otto Group	Q83	Yes	Noted.
3.217.	Pensioenfederatie	Q83	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p>	Noted.

			We agree that surplus funds should be recognised on an IORP's balance sheet and could be used to cover capital requirements.	
3.218.	PensionsEurope	Q83	<p>Do stakeholders agree that surplus funds should always be recognised on an IORP's balance sheet and could always be used to cover capital requirements? If not, how would you suggest to treat surplus funds in this respect?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We agree that surplus funds should be recognised on an IORP's balance sheet and could be used to cover capital requirements.</p>	Noted.
3.221.	RPTCL	Q83	Yes, we believe that surplus funds should be included in the consideration of the financial position of an IORP.	Noted.
3.222.	Siemens Pensionsfonds	Q83	Yes	Noted.
3.223.	Society of Pension Professionals	Q83	<p>Do stakeholders agree that surplus funds should always be recognised on an IORP's balance sheet and could always be used to cover capital requirements? If not, how would you suggest to treat surplus funds in this respect?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date</p>	Noted.

			<p>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 for individual Member States and their national competent authorities to determine, if they consider it appropriate.</p>	
3.224.	Towers Watson	Q83	<p>Do stakeholders agree that surplus funds should always be recognised on an IORP's balance sheet and could always be used to cover capital requirements? If not, how would you suggest to treat surplus funds in this respect?</p> <p>This is for individual Member States and their national competent authorities to determine, if they consider it appropriate.</p>	Noted.
3.225.	United Utilities Group	Q83	<p>Q83: Do stakeholders agree that surplus funds should always be recognised on an IORP's balance sheet and could always be used to cover capital requirements? If not, how would you suggest to treat</p>	

			surplus funds in this respect?	
3.226.	ZVK-Bau	Q83	Apart from the overall unfitting concept of the HBS for our scheme the answer is yes.	Noted.
3.227.	OPSG	Q84	The OPSG considers application of the HBS more sensible for pillar 2 than 1 and 3 (also see the answer to question 72). If the HBS were to be used for pillar 1, the OPSG does agree that subordinated loans should be recognised on an IORP's balance sheet and could, bar possible future decisions, be used to cover capital requirements. The OPSG would like to restate though, that the concept of the HBS, requiring inclusion of all steering instruments (and thus the recovery plan) in the balance sheet and not allowing for projections/simulations, cannot be combined with the concept of SCR.	Partially agreed. EIOPA advises in its opinion to the European institutions to use the common framework including all security and benefit adjustment mechanisms and valued on a market-consistent basis as a tool for risk management and transparency.
3.228.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q84	We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept the answer is yes.	Noted.
3.229.	Actuarial Association of Europe	Q84	Yes. However, the concept of a HBS which recognises all steering instruments is not compatible with an SCR which considers a stressed situation.	Noted.
3.230.	AEIP	Q84	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	Partially agreed. EIOPA advises in its opinion to the European institutions to use the common framework including all security and benefit adjustment

			<p>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 subordinated loans should be recognised on an IORPs balance sheet and could be used to cover capital requirements.</p>	<p>mechanisms and valued on a market-consistent basis as a tool for risk management and transparency.</p>
3.231.	AGV Chemie	Q84	Yes	Noted.
3.232.	Aon Hewitt	Q84	Yes – however, we think that the use of subordinated loans is relatively uncommon across IORPS in the EEA, so this could be determined on a case-by-case or member-state by member-state basis.	Noted.
3.233.	Association of Pension Lawyers	Q84	<p>We are unsure how this reference to subordinated loans is of relevance to IORPs bearing in mind Article 18(2) of the IORP Directive which provides that:</p> <p>“The home Member State shall prohibit the institution from borrowing or acting as a guarantor on behalf of third parties. However, Member States may authorise institutions to carry out some borrowing only for liquidity purposes and on a temporary basis.”</p>	Noted.
3.234.	BAPI	Q84	Q84: Do stakeholders agree that subordinated loans should always be recognized on an IORP’s balance sheet and could, bar possible future decisions to introduce restrictions, be used to cover capital requirements? If not, how would you suggest to treat subordinated loans in this respect?	Noted.

			<p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>We agree.</p>	
3.235.	BASF SE	Q84	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.
3.236.	BDA	Q84	Yes	Noted.
3.237.	Better Finance	Q84	Agree.	Noted.
3.238.	Compass Group PLC	Q84	Q84: Do stakeholders agree that subordinated loans should always be recognised on an IORP's balance sheet and could, bar possible future decisions to introduce restrictions, be used to cover capital requirements? If not, how would you suggest to treat subordinated	

			loans in this respect?	
3.239.	D & L Scott	Q84	Again, if the subordinated loans can be considered as part of the own funds of an IORP I see no reason for not recognising them. I am less supportive of recognising them as part of the own funds of an IORP if the prudent likelihood of their receipt is sufficiently remote or unlikely.	Noted.
3.240.	Eversheds LLP	Q84		
3.241.	Evonik Industries AG	Q84	Yes	Noted.
3.242.	FFSA	Q84	Yes, subordinated loans should always be recognised on an IORP's balance sheet and could, bar possible future decisions to introduce restrictions, be used to cover capital requirements.	Noted.
3.243.	FSUG	Q84	Agree.	Noted.
3.244.	FVPK	Q84	<p>Do stakeholders agree that subordinated loans should always be recognised on an IORP's balance sheet and could, bar possible future decisions to introduce restrictions, be used to cover capital requirements? If not, how would you suggest to treat subordinated loans in this respect?</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p>	Noted.

			We agree.	
3.245.	GDV	Q84	<p>Do stakeholders agree that subordinated loans should always be recognised on an IORP's balance sheet and could, bar possible future decisions to introduce restrictions, be used to cover capital requirements? If not, how would you suggest to treat subordinated loans in this respect?</p> <p>Subordinated loans should be recognised on an IORP's balance sheet and could, bar possible future decisions to introduce restrictions, be used to cover capital requirements, if it is in line with well-established rules in other sectors.</p>	Noted.
3.247.	Heathrow Airport Limited	Q84	Q84: Do stakeholders agree that subordinated loans should always be recognised on an IORP's balance sheet and could, bar possible future decisions to introduce restrictions, be used to cover capital requirements? If not, how would you suggest to treat subordinated loans in this respect?	
3.248.	Hoechst-Gruppe VVaG	Q84	We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept the answer is yes.	Noted.
3.249.	IFoA	Q84	The IFoA has no comment as subordinated loans are not a feature of current UK IORPs.	Noted.
3.250.	IVS	Q84	Yes. Excluding them would mean that the HBS/HPF would be incomplete and misleading ; it would then not deserve being called holistic.	Noted.

			See our General Comments for an explanation of "HBS/HPF".	
3.251.	NAPF	Q84	<p>Q84: Do stakeholders agree that subordinated loans should always be recognised on an IORP's balance sheet and could, bar possible future decisions to introduce restrictions, be used to cover capital requirements? If not, how would you suggest to treat subordinated loans in this respect?</p> <p>No answer</p>	
3.253.	Otto Group	Q84	Yes	Noted.
3.254.	Pensioenfederatie	Q84	<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 subordinated loans should be recognised on an IORPs balance sheet and could, bar possible future decisions, be used to cover capital requirements.</p>	Noted.
3.255.	PensionsEurope	Q84	Do stakeholders agree that subordinated loans should always be recognised on an IORP's balance sheet and could, bar possible	Noted.

			<p>future decisions to introduce restrictions, be used to cover capital requirements? If not, how would you suggest to treat subordinated loans in this respect?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We agree that subordinated loans should be recognised on an IORPs balance sheet and could, bar possible future decisions, be used to cover capital requirements.</p>	
3.258.	RPTCL	Q84	Subordinated loans are not relevant to our IORPs, so we do not have comments to add on this question.	Noted.
3.259.	Siemens Pensionsfonds	Q84	Yes	Noted.
3.260.	Society of Pension Professionals	Q84	<p>Do stakeholders agree that subordinated loans should always be recognised on an IORP’s balance sheet and could, bar possible future decisions to introduce restrictions, be used to cover capital requirements? If not, how would you suggest to treat subordinated loans in this respect?</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</p>	Noted.

			<p>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 for individual Member States and their national competent authorities to determine, if they consider it appropriate.</p>	
3.261.	Towers Watson	Q84	<p>Do stakeholders agree that subordinated loans should always be recognised on an IORP's balance sheet and could, bar possible future decisions to introduce restrictions, be used to cover capital requirements? If not, how would you suggest to treat subordinated loans in this respect?</p> <p>This is for individual Member States and their national competent authorities to determine, if they consider it appropriate.</p>	Noted.
3.262.	United Utilities Group	Q84	<p>Q84: Do stakeholders agree that subordinated loans should always be recognised on an IORP's balance sheet and could, bar possible future decisions to introduce restrictions, be used to cover capital requirements? If not, how would you suggest to treat subordinated</p>	

			loans in this respect?	
3.263.	ZVK-Bau	Q84	Apart from the overall unfitting concept of the HBS for our scheme the answer is yes.	Noted.
3.264.	OPSG	Q85	<p>The OPSG considers application of the HBS more sensible for pillar 2 than 1 and 3 (also see the answer to question 72). If the HBS were to be used for pillar 1, the OPSG would at the one hand like the concepts used to be (market) consistent and at the other hand like that the nature of the pension deal and purpose should be recognised.</p> <p>The discount rate should reflect the nature and certainty of the benefits. If the benefits are guaranteed/hard, level A would be most appropriate, but this will possibly not reflect the financial policy of the IORP to fund these benefits. Whilst coverage of Level A technical provisions by financial assets provides greater alignment and consistency with the nature of hard (guaranteed) benefits, the reality is that in the case of many IORPs this would require significant additional capital contributions from the sponsoring employer which it may not be in a position to make without seriously damaging its business, and hence would require the closure of the IORP and/or a reduction in benefits. This would change the nature of the pension promise. The sponsor may be able to provide support over the long term which will enable, with a high degree of probability, the benefits to be paid as they fall due but will retain the ability to invest in the business to underpin the value of this sponsor support, thereby maintaining the pension promise.</p> <p>For "soft" benefits, where the pension promise is not guaranteed, level B is appropriate, especially when the benefits depend on the</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of a new pillar 1 framework.</p>

			<p>investment returns achieved.</p> <p>In addition, the risk of using level A reserves is that it could disincentivise IORPs from investing in real assets to the long term benefit of the (EU) economy: the option to reduce risk and the level of sponsor support required (i.e. move to a self-sufficiency basis) is available to those IORPs/sponsors who want to do so by investing in low risk bonds, in which event level A and level B coincide. Whilst the use of Level B reserves as the appropriate measure might seem to encourage IORPs to invest recklessly, in practice this would be restricted by the requirement to invest in accordance with the “prudent person principle” and with the IORP’s Statement of Investment Policy Principles.</p>	
3.265.	100 Group of Finance Directors	Q85	<p>Q85: In the stakeholders’ view should the minimum requirement for the level of liabilities to be covered with financial assets be based on the Level A technical provisions or the Level B best estimate of technical provisions? 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>The Level B best estimate should be used, in line with the existing calculation of technical provisions. No evidence has been presented that this is an inappropriate valuation approach.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>

3.266.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q85	<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> <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</p>	<p>Noted.</p> <p>Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
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			<p>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 (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</p>	<p>Noted.</p>
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			<p>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 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) 	
3.267.	ACA	Q85	<p>Level B, since this reflects economic reality, not a theoretical « risk-free » rate.</p>	<p>Noted. EIOPA decided not to move forward with a</p>

				proposal of new pillar 1 framework.
3.268.	Actuarial Association of Europe	Q85	<p>The question asks what level of technical provisions should be covered by financial assets, not what level of technical provisions should be included in the HBS. We cannot say Level A or Level B as it depends on the pension deal and which part of it is being provided through the IORP. In addition, the discussion on level A or level B is only relevant when the risks/conditionalities are not modelled in the cash flow. If they are, then level A would be the appropriate discount rate. If they are not (straightforward deterministic cash flow projection) the discount rate should be level A + an appropriate risk premium. The risk premium should reflect the risks/conditionalities of the pension promise (insofar not modelled in the cash flow).</p> <p>In summary:</p> <ul style="list-style-type: none"> i. "Hard promise" – need to establish Level A technical provisions, but do not need to hold financial assets at this level if there are other mechanisms e.g. sponsor support. ii. "Softer promise" – need to establish technical provisions which recognise the softness i.e. either Level B, or Level A with risks/conditionalities modelled in the cashflows, but do not need to hold financial assets at the relevant level if there are other mechanisms e.g. sponsor support. iii. Either – need to hold financial assets equal to the technical provisions if there are no other mechanisms e.g. sponsor support, benefit reductions <p>In this context, "hold financial assets" includes "establish a</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>

			<p>recovery plan to reach a position where financial assets are at this level”.</p> <p>Whilst coverage of Level A technical provisions by financial assets provides greater security for the pension promise, the reality is that in the case of many IORPs this would require significant additional capital contributions from the sponsoring employer which it may not be in a position to make without seriously damaging its business, and hence would require the closure of the IORP and/or a reduction in benefits. The sponsor may be able to provide support over the long term which will enable, with a high degree of probability, the benefits to be paid as they fall due but will retain the ability to invest in the business to underpin the value of this sponsor support, thereby maintaining the pension promise.</p> <p>In addition, using level B reserves does not disincentivise IORPS from investing in real assets to the long term benefit of the (EU) economy: the option to reduce risk and the level of sponsor support required (i.e. move to a self-sufficiency basis) is available to those IORPs/sponsors who want to do so by investing in low risk bonds, in which event level A and level B coincide.</p>	Noted.
3.269.	AEIP	Q85	<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>	Noted.

			<p>AEIP answered all questions of the consultation despite of these doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>We would be in favour of level B. This would be consistent with the current approach in the IORP-Directive and in line with the practice in many member states.</p>	
3.270.	AGV Chemie	Q85	<p>The minimum level of technical provisions to be covered by assets should be based on Level B best estimate calculations.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.271.	ALSTOM	Q85	<p>Q85: In the stakeholders' view should the minimum requirement for the level of liabilities to be covered with financial assets be based on the Level A technical provisions or the Level B best estimate of technical provisions? Please explain.</p> <p>Level B, since this reflects economic reality, not a theoretical « risk-free » rate.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.272.	Aon Hewitt	Q85	<p>Level B should be used. This would encourage investment in long-term assets and allow for a more economically efficient approach to the funding of long-term liabilities.</p> <p>Requiring a higher level of funding under Level A could weaken sponsors and restrict their ability to invest in the growth of the business. This could particularly be the case for sponsors owned by</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>

			foreign parents. For example, US multinationals could be discouraged from investing in businesses in Europe if they are faced with tougher pension funding requirements in Europe (and tougher requirements than they face for their main pension plans in the USA).	
3.273.	Association of Pension Lawyers	Q85	<p>1. There is already a regulatory structure in place in the UK for establishing technical provisions, which has, since 2004, required a level of prudence to be applied over 'best estimate' values on a scheme specific basis. The UK supervisory body has recently updated its guidance on funding and IORPs are now required to take an integrated approach to risk (taking account of employer-covenant related risks, investment-related risk and funding-related risk) and a prudent approach to funding must be balanced with minimising any adverse impact on the employer's sustainable growth. IORPs must prudently choose the assumptions to be used for the calculation of technical provisions (including discount rates). Guidance states, "They should choose individual assumptions the prudence of which is consistent with the overall level of prudence required of the technical provisions. They must consider whether, and if so to what extent, account should be taken of a margin for adverse deviation when choosing prudent economic and actuarial assumptions." These assumptions form the basis for the funding requirements of the IORP.</p> <p>2. In our view, there is no reason to require UK IORPs to move away from this approach.</p> <p>3. Whilst we do not believe it would be appropriate to change the existing approach in the UK, to answer the question, we consider of the two options proposed that Level B best estimate of technical provisions would be the preferable option. We agree that of the two options this encourages investment in long-term assets and allows for a more economically efficient approach to funding of</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>

			long-term liabilities. Also the Level A approach would restrict the ability of sponsoring employers to invest in the growth of their business thereby weakening the support they can provide the IORP. We consider the Level A option to be too onerous.	
3.275.	BAPI	Q85	<p>Q85: In the stakeholders' view should the minimum requirement for the level of liabilities to be covered with financial assets be based on the Level A technical provisions or the Level B best estimate of technical provisions? 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>We believe the minimum requirement for the level of liabilities to be covered with financial assets should be set at national level according to the IORP I requirements. The context of occupational pensions (social security system for pension and health care, other retirement income, house ownership, sponsor characteristics, way</p>	<p>Noted.</p> <p>Agreed.</p> <p>EIOPA advises to refrain at this point in time from introducing harmonised funding or</p>

			<p>of organizing supplementary pensions, DB, DC, funding, guarantees, ...) is too heterogeneous to justify a one size fits all approach for supervision. To avoid an EU harmonized but overly complex system with major consequences for the stakeholders, member states should be responsible for the supervisory framework based on some basic general principles set by EU.</p> <p>For Belgian IORPs, the national funding requirements are more or less in line with the Level B technical provisions of the HBS. Level Band fully respects the long term nature of the IORP's liabilities.</p> <p>A Level A approach would import volatility in the IORPs funding requirements and will transfer the investment focus towards short term and fixed income securities which no longer match the IORP's characteristic of long term investor. This approach would have a negative impact on the members' benefit level.</p>	<p>capital requirements for IORPs at the EU level.</p> <p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.276.	Barnett Waddingham LLP	Q85	<p>We remain fundamentally opposed to the holistic balance sheet approach as envisaged by EIOPA. Given the options, we prefer the minimum requirement to be based on the Level B best estimate of technical provisions rather than the Level A "risk-free" rate as this will better reflect an IORP's circumstances.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.277.	BASF SE	Q85	<p>We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept the minimum level of technical provisions to be covered by assets should be based on Level B best estimate calculations. Details should be specified by the member states.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.278.	BDA	Q85	<p>The minimum level of technical provisions to be covered by assets should be based on Level B best estimate calculations.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1</p>

				framework.
3.279.	Better Finance	Q85	The approach (Level A in Option 2 or Level B in Option 2) should be used in direct interconnection with the type of promise the IORP and sponsor make to members. If the promise is “sure and guaranteed” than the Option 1 should be used. If a member is the risk taker (bearer) than the IORP is only intermediary on financial markets (most DC schemes with some minor guarantees) and there is a possibility to allow for softer approach (Option 2).	Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.
3.281.	British Telecommunications plc	Q85	Q85: In the stakeholders’ view should the minimum requirement for the level of liabilities to be covered with financial assets be based on the Level A technical provisions or the Level B best estimate of technical provisions? Please explain. The Level B best estimate should be used, in line with the existing calculation of technical provisions. No evidence has been presented that this is an inappropriate valuation approach. Level B reflects the actual investment approach of the IORP, not a theoretical level.	Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.
3.282.	Candriam	Q85	In the stakeholders’ view should the minimum requirement for the level of liabilities to be covered with financial assets be based on the Level A technical provisions or the Level B best estimate of technical provisions? Please explain. Determining the applicable discount rate should be left to member states. Discount rates different from level A/B are possible, for example a stable discount rate materialising inflation plus a long term interest	Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.

			rate, in line with the UFR proposed by EIOPA. It could mean a fixed discount rate, a discount rate based on long term average of economic value or an average between a fixed rate and a market rate.	
3.283.	Compass Group PLC	Q85	<p>Q85: In the stakeholders' view should the minimum requirement for the level of liabilities to be covered with financial assets be based on the Level A technical provisions or the Level B best estimate of technical provisions? Please explain.</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>The Level B best estimate should be used, in line with the existing calculation of technical provisions. No evidence has been presented that this is an inappropriate valuation approach.</p>	<p>Noted.</p> <p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.284.	D & L Scott	Q85	<p>I have referred earlier at Q27 to the United Kingdom actuarial reporting of both prudent and «neutral» (or best estimate) values. I am uncomfortable with the proposed Level B if it is insufficiently prudent. But I also think the implication with Level A that liabilities must at all times be covered 100% by assets, i.e. a balance sheet approach, is inappropriate. I would consider the cash flow forecast approach to be superior, and one which will provide analysis of</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>

			<p>whether 100% or higher cover in asset terms is always required. In some cases, it may be. In many cases, where future cash flows, forecast prudently, are sufficient to meet liabilities as they fall due, then there is no need for 100% cover at all times.</p>	
3.285.	EAPSPI	Q85	<p>Level B technical provisions should be the minimum requirement for the level of liabilities.</p> <p>Calculating technical provisions on a market consistent basis including 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 counterproductive 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 specific feature 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 the case in 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 neither appropriate nor necessary, given its harmful consequences as the function of a market-valuation (= transfer to other IORP or market actor) for reasons of beneficiaries protection is extremely unlikely as shown by the HBS. So the HBS with a strong sponsor as</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p> <p>Noted.</p>

		<p>balancing item shows that no market consistent valuation is needed.</p> <p>The result would be in addition an enormous increase in liabilities (without being a more accurate assessment) to be covered by the sponsors (for future promises and possibly for existing ones) will discourage sponsors from offering especially DB-schemes sponsored by employers. 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 the IORP QIS in 2013 as well as other 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 	<p>Noted.</p>
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			<input type="checkbox"/> Up to 180,000 job losses p.a. 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 <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)	
3.286.	Eversheds LLP	Q85	<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 use of Level B – for many of the reasons identified in the consultation paper, including:</p> <p>(i) the fact that using a discount rate based on expected return on assets encourages investment in long-term assets (since IORPs tend to match their assets to their liabilities), and</p> <p>(ii) this is the approach taken by the current IORP Directive, so disruption would be reduced.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>

			<p>The first reason listed above is particularly relevant in light of the European Commission's increased emphasis on long-term investment, not least in the €315 billion investment package unveiled by President Juncker on 26 November 2014. However, the European Central Bank has warned that a holistic balance sheet-based regulatory regime could undermine investment in growth assets and push more investment towards low-risk bonds. This is a significant factor and one which is directly relevant to Europe's prospects for economic growth.</p>	
3.287.	Evonik Industries AG	Q85	<p>The minimum level of technical provisions to be covered by assets should be based on Level B best estimate calculations.</p>	<p>Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.288.	FFSA	Q85	<p>Level A with long term adjustment mechanisms based on market consistent valuation and taking into account the long nature of IORP liabilities.</p>	<p>Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.289.	FSUG	Q85	<p>The approach (Level A in Option 2 or Level B in Option 2) should be used in direct interconnection with the type of promise the IORP and sponsor make to members. If the promise is "sure and guaranteed" than the Option 1 should be used. If a member is the risk taker (bearer) than the IORP is only intermediary on financial markets (most DC schemes with some minor guarantees) and there is a possibility to allow for softer approach (Option 2).</p>	<p>Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>

3.290.	FVPK	Q85	<p>In the stakeholders' view should the minimum requirement for the level of liabilities to be covered with financial assets be based on the Level A technical provisions or the Level B best estimate of technical provisions? Please explain.</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p> <p>We would be in favour of level B technical provisions. This would be consistent with the approach taken by the current IORP Directive, so disruption would be minimal. It would also be in line with the current practice in many member states (as shown in EIOPA mapping exercise).</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework .</p>
3.291.	GDFSUEZ	Q85	<p>Q85: In the stakeholders' view should the minimum requirement for the level of liabilities to be covered with financial assets be based on the Level A technical provisions or the Level B best estimate of technical provisions? Please explain.</p> <p>Level B, since this reflects economic reality, not a theoretical « risk-free » rate.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.292.	GDV	Q85	<p>In the stakeholders' view should the minimum requirement for the level of liabilities to be covered with financial assets be based on the Level A technical provisions or the Level B best estimate of</p>	

			<p>technical provisions? Please explain.</p> <p>The calculation of Level A technical provisions to be covered with financial assets (without sponsor support and pension protection schemes) is too cautious and would lead to capital requirements which are too high. The minimum requirements based on Level B best estimate of technical provisions could be appropriate if the specificities of IORPs such as sponsor support, benefit reduction mechanisms and pension protection schemes are not taken into account to cover for the Level B of the technical provisions.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.294.	Heathrow Airport Limited	Q85	<p>Q85: In the stakeholders' view should the minimum requirement for the level of liabilities to be covered with financial assets be based on the Level A technical provisions or the Level B best estimate of technical provisions? 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>The Level B best estimate should be used, in line with the existing calculation of technical provisions. No evidence has been presented that this is an inappropriate valuation approach.</p>	<p>Noted.</p> <p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.295.	Hoechst-Gruppe VVaG	Q85	<p>An HBS-type approach – if at all regarded as suitable - should include all mechanisms. If sponsor support and/or a PPS exist, they</p>	<p>Noted.</p>

			<p>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</p>	<p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p> <p>Noted.</p> <p>Noted.</p>
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			<p>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 (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</p>	<p>Noted.</p>
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			<p>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 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) 	
3.296.	IFoA	Q85	<p>The IFoA considers that national supervisors should give guidance on the approach to be used. Current UK practice resembles the Level B approach: there would be winners and losers from changing to a Level A approach. Such a change could be very disruptive although much depends on how the requirement relates to Level A and the related supervisory actions.</p>	<p>Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>

3.297.	IVS	Q85	<p>We believe that the debate as to whether level A or level B is the appropriate measure for Technical Provisions has not been robustly held in the case of IORPs.</p> <p>In countries with a PPS, we agree with EIOPA’s reasoning in section 5.85 that, of the two options, level B technical provisions are a very reasonable choice since the unique characteristics of an IORP typically allow for risk to be absorbed by other instruments than available financial assets.</p> <p>Even if PPS does not apply, it appears reasonable to focus on level B coverage with financial assets due to the other IORP-particular aspects available for risk mitigation, namely sponsor support and benefit reduction mechanisms. Other reasons include that, in general, liabilities of IORPs are long-term and IORPs are not profit-oriented. Situations, where large parts of the membership want to quit the scheme, are not realistic in most IORP constellations. It should also be borne in mind that focusing on level A TPs would unnecessarily require significant additional financial assets Europe-wide that would run strongly contrary to the policy of increasing coverage and adequacy.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.300.	NAPF	Q85	<p>Q85: In the stakeholders’ view should the minimum requirement for the level of liabilities to be covered with financial assets be based on the Level A technical provisions or the Level B best estimate of technical provisions? 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>Noted.</p>

			<p>The NAPF supports the use of Level B – for many of the reasons identified in the consultation paper .</p> <p>First, the use of a discount rate based on expected return on assets encourages investment in long-term assets (since IORPs like to match their assets to their liabilities). Obviously this approach involves a degree of risk, but this is managed by ensuring the discount rate and assumptions involved in valuation are agreed between the trustees and sponsoring employer (taking account of the views of their advisers) and are also subject to approval by the Pensions Regulator.</p> <p>Second, this is the approach taken by the current IORP Directive, so disruption would be minimal.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.303.	Otto Group	Q85	<p>The minimum level of technical provisions to be covered by assets should be based on Level B best estimate calculations.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.304.	Pensioenfederatie	Q85	<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>Noted.</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 be in favour of level B. This would be consistent with the current approach in the IORP-Directive and in line with the practice in many Member States. In the Netherlands, it is allowed to base additional capital requirements on top of the minimum funding rate, on prudently established expected returns on assets.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.305.	PensionsEurope	Q85	<p>In the stakeholders' view should the minimum requirement for the level of liabilities to be covered with financial assets be based on the Level A technical provisions or the Level B best estimate of technical provisions? 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>We believe the minimum requirement for the level of liabilities to be covered with financial assets should be set at national level according to the IORP I Directive requirements. The discount rate should reflect the character and the risks of the liabilities and that should be left to Member States to decide on the level of technical</p>	<p>Noted.</p> <p>Agreed.</p> <p>EIOPA advises to refrain at this point in</p>

			<p>provisions. The context of occupational pensions (social security system for pension and health care, other retirement income, house ownership, sponsor characteristics, way of organizing supplementary pensions, DB, DC, funding, guarantees, ...) is too heterogeneous to justify a one-size-fits-all approach for supervision. To avoid an EU harmonized but overly complex system, Member States should be responsible for the supervisory framework based on some basic general principles set at EU level.</p> <p>Therefore the level B technical provisions should be the minimum requirement for the level of liabilities. This would be consistent with the approach taken by the current IORP Directive, so disruption would be minimal. It would also be in line with the current practice in many member states (as shown in EIOPA mapping exercise).</p> <p>Calculating technical provisions on a market consistent basis including a risk free interest rate is not necessarily appropriate for IORPs. A mark-to-market valuation of liabilities for IORPs could be very damaging for long-term investments. Such a valuation would be pro-cyclical, and based on a cut-off date; and would not take into account the specifics of most IORPs. This type of valuation could harm solid and long-term planning, as well as risk analysis and related calculations. It would therefore not contribute to more security for the beneficiaries. In addition a transfer of liabilities to other market actors (see i.e. EIOPA 5.83) is – unlike than 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 not appropriate or necessary given its possibly damaging consequences.</p>	<p>time from introducing harmonised funding or capital requirements for IORPs at the EU level.</p> <p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
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			<p>In addition, we note the outcome of using Level A technical provisions at EU level would be an enormous increase in the value of the liabilities (without necessarily being a more accurate assessment) and thus funds to be delivered by sponsor (for future promises and eventually for existing) will discourage sponsors from offering 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 the value of the 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 by 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 somme numbers:</p> <p><input type="checkbox"/> 30% increase of technical provisions = €440 billion (£350 billion) = cost increase for UK Businesses</p>	<p>Noted.</p> <p>Noted.</p>
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			<input type="checkbox"/> Up to 2.5% reduction of GDP for longer period <input type="checkbox"/> Up to 180,000 job losses <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 £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>	
3.306.	PERNOD-RICARD	Q85	<p>Q85: In the stakeholders' view should the minimum requirement for the level of liabilities to be covered with financial assets be based on the Level A technical provisions or the Level B best estimate of technical provisions? Please explain.</p> <p>Level B, since this reflects economic reality, not a theoretical „ risk-free“ rate.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.307.	Punter Southall	Q85	<p>Level B. The existing regime is adequate in this area.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.310.	RPTCL	Q85	<p>We would have a strong preference for the use of Level B best estimate of technical provisions as we believe that the use of a discount rate based on expected return on assets would support investment in long-term assets (whereas Level A will tend not to); and the approach is most consistent with the requirements of the</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>

			current IORP Directive, so any disruption should be minimal.	
3.311.	Siemens Pensionsfonds	Q85	The minimum level of technical provisions to be covered by assets should be based on Level B best estimate calculations.	Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.
3.312.	Society of Pension Professionals	Q85	<p>In the stakeholders' view should the minimum requirement for the level of liabilities to be covered with financial assets be based on the Level A technical provisions or the Level B best estimate of technical provisions? 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>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>

			This is for individual Member States and their national competent authorities to determine, if they consider it appropriate.	
3.314.	Towers Watson	Q85	<p>In the stakeholders' view should the minimum requirement for the level of liabilities to be covered with financial assets be based on the Level A technical provisions or the Level B best estimate of technical provisions? Please explain.</p> <p>This is for individual Member States and their national competent authorities to determine, if they consider it appropriate.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.315.	United Utilities Group	Q85	<p>Q85: In the stakeholders' view should the minimum requirement for the level of liabilities to be covered with financial assets be based on the Level A technical provisions or the Level B best estimate of technical provisions? Please explain.</p>	
3.316.	ZVK-Bau	Q85	<p>Apart from the overall unfitting concept of the HBS for our scheme we prefer to use Level B best estimate of technical provisions due to the significant illiquidity premium that IORPs earn because of their long-term investments and very stable business case. Within a Level A concept this cannot be taken into account.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.317.	OPSG	Q86	<p>As noted above, the OPSG considers that Level B would be appropriate in cases where the benefit promise is considered "soft" and dependent on the investment returns achieved, regardless of other security or adjustment mechanisms. Where the benefit promise is hard, Level B would only be appropriate if there are other security or adjustment mechanisms to bridge the gap to the Level A provisions, if these are not fully covered by financial assets.</p> <p>The OPSG suggests that this should be a member state option, possibly subject to some overarching principles to be set out in the Directive to facilitate a base for harmonisation if and when</p>	<p>Noted.</p>

			harmonisation is warranted. Prior approval of the national supervisor should not be required under the Directive, but could be a requirement of the supervisor in some Member States.	EIOPA decided not to move forward with a proposal of new pillar 1 framework.
3.318.	100 Group of Finance Directors	Q86	<p>Q86: If the Level B best estimate were to be used, in the stakeholders' view should it apply to all IORPs or should its use be restricted to IORPs which dispose of certain security and adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? 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>We believe it should apply to all IORPs without restriction.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.319.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q86	<p>It could be argued that Level B best estimates should be restricted to cases where there are security mechanisms like sponsor support and PPS in place, however, there could be reasonable exceptions to this principle. Prior approval of the national supervisor should not be required. Member State options should be possible, to reflect specificities of IORP systems in different Member States. Importantly, this regulation shall not affect national labour or social law.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</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.	
3.320.	ACA	Q86	Applied as a member state option.	Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.
3.321.	Actuarial Association of Europe	Q86	We consider that this should be a member state option, subject perhaps to some overarching principles to be set out in the Directive.	Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.
3.322.	AEIP	Q86	<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>Noted.</p> <p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1</p>

			We would think that this should apply to all IORPs.	framework.
3.323.	AGV Chemie	Q86	Member State options should be possible, as they need to reflect specificities of IORP systems in different Member States. Importantly, this regulation shall not affect national labour or social law. 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.	Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.
3.324.	Aon Hewitt	Q86	As a minimum, IORPS should be able to use Level B. It would also be important for IORPS to be able to show that they have adequate sponsor support available. If this is not the case, then it would be reasonable for national supervisors to review financing plans to ensure that they are appropriate and adequate.	Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.
3.325.	Association of Pension Lawyers	Q86	It should apply as a member state option. In the UK, applying the Level B approach would potentially lower the current scheme specific funding arrangements of UK IORPS. We are firmly of the view that there is no good justification for changing funding measures and obligations for IORPs. The damage to the confidence of employers and members in the fairness and stability of regulation of pensions would be significant and it would damage not enhance pension provision.	Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.
3.326.	BAPI	Q86	Q86: If the Level B best estimate were to be used, in the stakeholders' view should it apply to all IORPs or should its use be restricted to IORPs which dispose of certain security and	

			<p>adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? 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>We believe the minimum level of technical provisions should be set at national level and should be in line with the actual implementation of the national competent supervisory authority of the IORP I Directive. The context of occupational pensions (social security system for pension and health care, other retirement income, house ownership, sponsor characteristics, way of organizing supplementary pensions, DB, DC, funding, guarantees, ...) is too heterogeneous to justify a one size fits all approach for supervision. To avoid an EU harmonized but overly complex system, member states should be responsible for the supervisory framework based on some basic general principles set by EU.</p>	<p>Noted.</p> <p>EIOPA's opinion includes several simplifications. EIOPA is also recommending that there be a 'proportionality principle'.</p> <p>EIOPA is convinced that a market-consistent and risk-based approach to European regulation of IORPs will stimulate proper risk-management and enhance the resilience and viability of the occupational pensions sector.</p> <p>However, the common framework should be</p>
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			Level BHBS	<p>more than an “internal” risk management tool. They must be subject to public disclosure.</p> <p>EIOPA is convinced that public disclosure will stimulate discussion between knowledgeable stakeholders – such as employers, unions, institutional investors and government. As such, public disclosure will encourage reform.</p>
3.327.	BASF SE	Q86	<p>We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept the answer is dependent on the decisions whether additional quantitative solvency requirements have to be fulfilled. Due to the different national labour, co-determination and social law there must be a member state option for adjustments in its national regulatory rules for IORPs. However, this regulation shall not affect national labour or social law.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.328.	BDA	Q86	<p>Member State options should be possible, as they need to reflect specificities of IORP systems in different Member States. Importantly, this regulation shall not affect national labour or social law. We would also like to point out that Level B as it was defined</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1</p>

			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.	framework.
3.329.	British Telecommunications plc	Q86	<p>Q86: If the Level B best estimate were to be used, in the stakeholders' view should it apply to all IORPs or should its use be restricted to IORPs which dispose of certain security and adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? Please explain.</p> <p>The Level B best estimate should apply to all IORPs without restriction.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.330.	Compass Group PLC	Q86	<p>Q86: If the Level B best estimate were to be used, in the stakeholders' view should it apply to all IORPs or should its use be restricted to IORPs which dispose of certain security and adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? Please explain.</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>Noted.</p> <p>Noted.</p> <p>EIOPA decided not to</p>

			We believe it should apply to all IORPs without restriction.	move forward with a proposal of new pillar 1 framework.
3.331.	D & L Scott	Q86	I do not support the Level B approach as it appears to be inconsistent with required prudence.	Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.
3.332.	EAPSPI	Q86	Our first option would be that all IORPs are in general allowed to calculate Level B technical provision as the rationale in Q85 is in general applicable. Alternatively it should be applied as a member state option.	Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.
3.333.	Eversheds LLP	Q86	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 think that Level B should be the default option with national Governments having the option of applying Level A to some or all IORPs in their jurisdiction if they chose.	Noted. Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.
3.334.	Evonik Industries AG	Q86	Member State options should be possible, as they need to reflect specificities of IORP systems in different Member States. Importantly, this regulation shall not affect national labour or social law. We would also like to point out that Level B as it was defined	Noted. EIOPA decided not to move forward with a

			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.	proposal of new pillar 1 framework.
3.335.	FFSA	Q86	Yes, the Level B best estimate should be subject to prior approval of the national supervisor with a member state option.	Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.
3.336.	FVPK	Q86	<p>If the Level B best estimate were to be used, in the stakeholders' view should it apply to all IORPs or should its use be restricted to IORPs which dispose of certain security and adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? Please explain.</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p> <p>We would think that this should be a member state option, to reflect specificities of IORP systems in different member states. Importantly, this regulation shall not affect national labour or social law.</p>	<p>Noted.</p> <p>Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>

3.337.	GDV	Q86	<p>If the Level B best estimate were to be used, in the stakeholders' view should it apply to all IORPs or should its use be restricted to IORPs which dispose of certain security and adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? Please explain.</p> <p>It is important that consistent approach is taken for different types of IORPs and possible arbitrage is reduced. Moreover, an advantage of a unifying approach is that it would result in a simple regime for all IORPs.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.339.	Heathrow Airport Limited	Q86	<p>Q86: If the Level B best estimate were to be used, in the stakeholders' view should it apply to all IORPs or should its use be restricted to IORPs which dispose of certain security and adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? 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>We believe it should apply to all IORPs without restriction.</p>	<p>Noted.</p> <p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.340.	Hoechst-Gruppe VVaG	Q86	<p>It could be argued that Level B best estimates should be restricted to cases where there are security mechanisms like sponsor support</p>	<p>Noted.</p>

			<p>and PPS in place, however, there could be reasonable exceptions to this principle. Prior approval of the national supervisor should not be required. Member State options should be possible, to reflect specificities of IORP systems in different Member States. Importantly, this regulation shall not affect national labour or social law.</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>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.341.	IFoA	Q86	<p>The IFoA considers that national supervisors should give guidance on the approach to be used.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.342.	IVS	Q86	<p>We believe that the level B approach would be proper for most IORPs. From a regulatory point of view, we can see arguments for restricting the level B approach to IORPs with security or adjustment mechanisms. Depending on the information publically available on such mechanisms, no prior approval by the national competent authorities is necessary.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.343.	NAPF	Q86	<p>Q86: If the Level B best estimate were to be used, in the stakeholders' view should it apply to all IORPs or should its use be restricted to IORPs which dispose of certain security and adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? Please</p>	

			<p>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 would expect the assumptions used to calculate liabilities, including the discount rate, to be subject to approval by the national regulator.</p>	<p>Noted.</p> <p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.346.	Otto Group	Q86	<p>Member State options should be possible, as they need to reflect specificities of IORP systems in different Member States. Importantly, this regulation shall not affect national labour or social law. 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>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.347.	Pensioenfederatie	Q86	<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>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</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 think that this should apply to all IORP's in combination with the conditions as quoted by EIOPA.</p>	
3.348.	PensionsEurope	Q86	<p>If the Level B best estimate were to be used, in the stakeholders' view should it apply to all IORPs or should its use be restricted to IORPs which dispose of certain security and adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? 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 notes that both of these options could be supported, as this would reflect the specificities of different occupational pension systems in the various EU Member States. Member state options should be possible, to reflect specificities of national occupational pension systems. Importantly, this regulation shall not affect national labour or social law(s).</p>	<p>Noted.</p> <p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.349.	Punter Southall	Q86	Applied as a member state option.	

				<p>Noted.</p> <p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.352.	RPTCL	Q86	We believe that the approach to be adopted for IORPs within each member state should be set by the national regulator.	Noted.
3.353.	Siemens Pensionsfonds	Q86	Member State options should be possible, as they need to reflect specificities of IORP systems in different Member States. Importantly, this regulation shall not affect national labour or social law. 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>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>

3.354.	Society of Pension Professionals	Q86	<p>If the Level B best estimate were to be used, in the stakeholders' view should it apply to all IORPs or should its use be restricted to IORPs which dispose of certain security and adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? 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>This is for individual Member States and their national competent authorities to determine, if they consider it appropriate.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.356.	Towers Watson	Q86	<p>If the Level B best estimate were to be used, in the stakeholders' view should it apply to all IORPs or should its use be restricted to</p>	<p>Noted.</p>

			<p>IORPs which dispose of certain security and adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? Please explain.</p> <p>This is for individual Member States and their national competent authorities to determine, if they consider it appropriate.</p>	<p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.357.	United Utilities Group	Q86	<p>Q86: If the Level B best estimate were to be used, in the stakeholders' view should it apply to all IORPs or should its use be restricted to IORPs which dispose of certain security and adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? Please explain.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.358.	ZVK-Bau	Q86	<p>We suggest to leave that decision to the MS.</p>	<p>Noted.</p>
3.359.	OPSG	Q87	<p>The OPSG considers application of the HBS more sensible for pillar 2 than 1 and 3 (also see the answer to question 72). If the HBS were to be used for pillar 1, the OPSG would at the one hand like the concepts used to be (market) consistent and at the other hand like that the nature of the pension deal and purpose should be recognised (also see the answer to question 85).</p> <p>If the HBS were to be used for pillar 1, the OPSG would like to restate though, that the concept of the HBS, requiring inclusion of all steering instruments (and thus the recovery plan) in the balance sheet and not allowing for projections/simulations, cannot be combined with the concept of SCR.</p> <p>As noted above, the OPSG considers that Level B would be appropriate in cases where the benefit promise is considered "soft" and dependent on the investment returns achieved, regardless of other security or adjustment mechanisms. Where the benefit</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>

			<p>promise is hard, Level B would only be appropriate if there are other security or adjustment mechanisms to bridge the gap to the Level A provisions, if these are not fully covered by financial assets.</p> <p>The OPSG suggests that this should be a member state option, possibly subject to some overarching principles to be set out in the Directive to facilitate a base for harmonisation if and when harmonisation is warranted.</p>	
3.360.	100 Group of Finance Directors	Q87	<p>Q87: In the stakeholders' view should the level of technical provisions that needs to be covered with assets (incl. security mechanisms), and that potentially serves as a basis for the SCR, be based on Level A technical provisions or on the Level B best estimate of technical provisions? 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>The Level B best estimate should be used, in line with the existing calculation of technical provisions. No evidence has been presented that this is an inappropriate valuation approach.</p>	Noted.
3.361.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q87	<p>We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept it should be based on Level B (see Q 85).</p>	Noted.

			<p>Any valuation and risk management that is based on a market consistent valuation sends the wrong message to anyone running an IORP. The one-year-perspective is not adequate for IORPs and the risk margin does not fit.</p> <p>In addition we would like to point out that the “market consistent” Level A does not equal the market value.</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>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>	
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			<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 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</p>	
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		<p>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 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 somme numbers:</p> <p><input type="checkbox"/> 30% increase of technical provisions = €440 billion (£350 billion) = cost increase for UK Businesses</p>	
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			<input type="checkbox"/> Up to 2.5% reduction of GDP for longer period <input type="checkbox"/> Up to 180,000 job losses p.a. 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 <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)	
3.362.	ACA	Q87	Level B	Noted.
3.363.	Actuarial Association of Europe	Q87	The question asks what level of technical provisions should be covered by financial assets, not what level of technical provisions should be included in the HBS. We cannot say Level A or Level B as it depends on the pension deal and which part of it is being provided through the IORP. In addition, the discussion on level A or level B is only relevant when the risks/conditionalities are not modelled in the cash flow. If they are, then level A would be the appropriate discount rate. If they are not (straightforward deterministic cash flow projection) the discount rate should be level A + an appropriate risk premium. The risk premium should reflect the risks/conditionalities of the pension promise (insofar not modelled in the cash flow).	Noted.

			<p>In summary:</p> <p>i. "Hard promise" – need to establish Level A technical provisions, but do not need to hold financial assets at this level if there are other mechanisms e.g. sponsor support.</p> <p>ii. "Softer promise" – need to establish technical provisions which recognise the softness i.e. Level B, or Level A with risks/conditionalities modelled in the cashflows, or something in between, but do not need to hold financial assets at the relevant level if there are other mechanisms e.g. sponsor support.</p> <p>iii. Either – need to hold financial assets equal to the technical provisions if there are no other mechanisms e.g. sponsor support, benefit reductions</p> <p>In this context, "hold financial assets" includes "establish a recovery plan to reach a position where financial assets are at this level".</p>	
3.364.	AEIP	Q87	<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.

			We are in favour of level B. Consistent with the current approach in the IORP Directive and in line with the practice in many member states.	
3.365.	AGV Chemie	Q87	Within this concept it should be based on Level B (see Q85).	Noted.
3.366.	Aon Hewitt	Q87	It should be based on the same level of technical provisions as for any minimum funding requirement measure which, in our opinion, should be Level B.	Noted.
3.367.	Association of Pension Lawyers	Q87	<p>1. We do not consider that Level A or Level B should be imposed, particularly in the UK context where the Level B minimum level of technical provisions does not require a margin for prudence as is currently required for setting scheme funding requirements and to apply Level A as the minimum standard would be onerous on sponsoring employers.</p> <p>2. However, if one of these requirements is to be imposed, it should be Level B.</p> <p>3. We agree strongly however that the existence of sponsor support, pension protection schemes or benefit adjustment rules should not be disregarded. Our view is that the protection they offer members and beneficiaries is sufficient in combination with existing funding requirements under the IORP Directive and national legislation.</p>	Noted.
3.368.	BAPI	Q87	Q87: In the stakeholders' view should the level of technical provisions that needs to be covered with assets (incl. security mechanisms), and that potentially serves as a basis for the SCR, be based on Level A technical provisions or on the Level B best estimate of technical provisions? Please explain.	Noted.

			<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>To respect the IORP's long term liabilities we are convinced Level B is more appropriate.</p>	
3.369.	Barnett Waddingham LLP	Q87	Level B as this will better reflect an IORP's circumstances.	Noted.
3.370.	BASF SE	Q87	We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept it should be based on Level B (see Q 85). Details should be specified by the member states.	Noted.
3.371.	BDA	Q87	Within this concept it should be based on Level B (see Q85).	Noted.
3.372.	Better Finance	Q87	See option presented in Q85	Noted.

3.373.	British Telecommunications plc	Q87	<p>Q87: In the stakeholders' view should the level of technical provisions that needs to be covered with assets (incl. security mechanisms), and that potentially serves as a basis for the SCR, be based on Level A technical provisions or on the Level B best estimate of technical provisions? Please explain.</p> <p>The Level B best estimate should be used, in line with the existing calculation of technical provisions. No evidence has been presented that this is an inappropriate valuation approach. Level B, reflects the actual investment approach of the IORP, not a theoretical level.</p>	Noted.
3.374.	Compass Group PLC	Q87	<p>Q87: In the stakeholders' view should the level of technical provisions that needs to be covered with assets (incl. security mechanisms), and that potentially serves as a basis for the SCR, be based on Level A technical provisions or on the Level B best estimate of technical provisions? Please explain.</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>The Level B best estimate should be used, in line with the existing calculation of technical provisions. No evidence has been presented that this is an inappropriate valuation approach.</p>	Noted.

3.375.	D & L Scott	Q87	My comments in answer to Q85 apply.	Noted.
3.376.	Eversheds LLP	Q87	<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 use of Level B on the basis that:</p> <p>(i) using a discount rate based on expected return on assets encourages investment in long-term assets (since IORPs like to match their assets to their liabilities), and</p> <p>(ii) this is the approach taken by the current IORP Directive, so disruption would be reduced.</p> <p>The first reason listed above is particularly relevant in light of the European Commission’s increased emphasis on long-term investment, not least in the €315 billion investment package unveiled by President Juncker on 26 November 2014. However, the European Central Bank has warned that a holistic balance sheet-based regulatory regime could undermine investment in growth assets and push more investment towards low-risk bonds. This is a significant factor and one which is directly relevant to Europe’s prospects for economic growth.</p>	Noted.
3.377.	Evonik Industries AG	Q87	Within this concept it should be based on Level B (see Q85).	Noted.

3.378.	FFSA	Q87	Level A with long term adjustment mechanisms based on market consistent valuation and taking into account the long nature of IORP liabilities.	Noted.
3.379.	FSUG	Q87	See option presented in Q85	Noted.
3.380.	FVPK	Q87	<p>In the stakeholders' view should the level of technical provisions that needs to be covered with assets (incl. security mechanisms), and that potentially serves as a basis for the SCR, be based on Level A technical provisions or on the Level B best estimate of technical provisions? Please explain.</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p> <p>We are in favour of level B. Consistent with the current approach in the IORP Directive and in line with the practice in many member states.</p>	Noted.
3.381.	GDV	Q87	In the stakeholders' view should the level of technical provisions that needs to be covered with assets (incl. security mechanisms), and that potentially serves as a basis for the SCR, be based on Level A technical provisions or on the Level B best estimate of technical provisions? Please explain.	Partially agreed. EIOPA advises a common framework including all security and adjustment mechanisms and valued on a market-

			<p>Even if the specificities of IORPs are reflected appropriately in the HBS, it might be still difficult to derive suitable capital requirements for IORPs. For example, if the balancing item approach applies, the calculation of SCR does not add additional value and the 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> <p>Finally, a quantitative impact assessment is needed to study the consequences for different types of IORPs.</p>	<p>consistent basis as a tool for risk management and transparency.</p>
3.383.	Heathrow Airport Limited	Q87	<p>Q87: In the stakeholders' view should the level of technical provisions that needs to be covered with assets (incl. security mechanisms), and that potentially serves as a basis for the SCR, be based on Level A technical provisions or on the Level B best estimate of technical provisions? 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>The Level B best estimate should be used, in line with the existing calculation of technical provisions. No evidence has been presented that this is an inappropriate valuation approach.</p>	<p>Noted.</p>

3.384.	Hoechst-Gruppe VVaG	Q87	<p>We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept it should be based on Level B (see Q 85).</p> <p>Any valuation and risk management that is based on a market consistent valuation sends the wrong message to anyone running an IORP. The one-year-perspective is not adequate for IORPs and the risk margin does not fit.</p> <p>In addition we would like to point out that the "market consistent" Level A does not equal the market value.</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>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</p>	Noted.
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			<p>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 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</p>	
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			<p>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 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 somme numbers:</p>	
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			<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) 	
3.385.	IFoA	Q87	The IFoA considers that national supervisors should give guidance on the approach to be used. Current UK practice resembles the Level B approach: there would be winners and losers from changing to a Level A approach. Such a change could be very disruptive although much depends on how the requirement relates to Level A and the related supervisory actions.	Noted.
3.386.	IVS	Q87	<p>We understand that this question refers to the discounting of the TPs and SCR, that are to be met by any type of asset / available mechanism.</p> <p>In this regard, we believe that discounting on the basis of level B makes eminent sense for IORPs. One very important reason being the fundamental difference in nature of a typical IORP compared</p>	Noted.

			with a typical insurer. This is another point of fundamental importance which would be important to clarify at a strategic level.	
3.387.	NAPF	Q87	<p>Q87: In the stakeholders' view should the level of technical provisions that needs to be covered with assets (incl. security mechanisms), and that potentially serves as a basis for the SCR, be based on Level A technical provisions or on the Level B best estimate of technical provisions? 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>No answer</p>	
3.390.	Otto Group	Q87	Within this concept it should be based on Level B (see Q85).	Noted.
3.391.	Pensioenfederatie	Q87	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.	Partially agreed. EIOPA advises a common framework including all security and adjustment mechanisms and valued on a market-

			<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 are in favour of level B. Consistent with the current approach in the IORP Directive and in line with the practice in many Member States. In the Netherlands, it is allowed to base additional capital requirements on top of the minimum funding rate, on prudently established expected returns on assets.</p>	<p>consistent basis as a tool for risk management and transparency.</p>
3.392.	PensionsEurope	Q87	<p>In the stakeholders' view should the level of technical provisions that needs to be covered with assets (incl. security mechanisms), and that potentially serves as a basis for the SCR, be based on Level A technical provisions or on the Level B best estimate of technical provisions? 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>We are in favour of flexibility in order to reflect national practices. We note that using of level B is consistent with the current approach in the IORP Directive and in line with the practice in many Member States.</p>	<p>Noted.</p>

3.393.	Punter Southall	Q87	Level B	Noted.
3.396.	RPTCL	Q87	We believe that it would be most appropriate for the Level B best estimate of technical provisions to be the amount to be covered with assets, as such an approach is the most consistent with the requirements of the current IORP Directive. Further, this approach to funding works in our experience and avoids a tendency towards excess prudence with IORPs derisking their investment strategies at very considerable long term cost.	Noted.
3.397.	Siemens Pensionsfonds	Q87	Within this concept it should be based on Level B (see Q85).	Noted.
3.398.	Society of Pension Professionals	Q87	<p>In the stakeholders' view should the level of technical provisions that needs to be covered with assets (incl. security mechanisms), and that potentially serves as a basis for the SCR, be based on Level A technical provisions or on the Level B best estimate of technical provisions? 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</p>	Noted.

			<p>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 for individual Member States and their national competent authorities to determine, if they consider it appropriate.</p>	
3.399.	Towers Watson	Q87	<p>In the stakeholders' view should the level of technical provisions that needs to be covered with assets (incl. security mechanisms), and that potentially serves as a basis for the SCR, be based on Level A technical provisions or on the Level B best estimate of technical provisions? Please explain.</p> <p>This is for individual Member States and their national competent authorities to determine, if they consider it appropriate.</p>	Noted.
3.400.	United Utilities Group	Q87	<p>Q87: In the stakeholders' view should the level of technical provisions that needs to be covered with assets (incl. security mechanisms), and that potentially serves as a basis for the SCR, be based on Level A technical provisions or on the Level B best estimate of technical provisions? Please explain.</p>	
3.401.	ZVK-Bau	Q87	<p>We strongly object against using Level A technical provisions for any case. This does not imply that we support using Level B for calculating an SCR since we find the very concept of an SCR unnecessary. But if the HBS concept despite all warnings will find its way in the regulatory framework Level B seems less disadvantage.</p>	Noted.
3.402.	OPSG	Q88	<p>As noted above, the OPSG considers that Level B would be appropriate in cases where the benefit promise is considered "soft" and dependent on the investment returns achieved, regardless of other security or adjustment mechanisms. Where the benefit</p>	Noted.

			<p>promise is hard, Level B would only be appropriate if there are other security or adjustment mechanisms to bridge the gap to the Level A provisions, if these are not fully covered by financial assets.</p> <p>The OPSG considers that this should be a member state option, subject perhaps to some overarching principles to be set out in the Directive.</p>	
3.403.	100 Group of Finance Directors	Q88	<p>Q88: If the Level B best estimate were to be used, in the stakeholders' view should its use be restricted to IORPs which dispose of certain security and adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? 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>We believe it should apply to all IORPs without restriction.</p>	Noted.
3.404.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q88	<p>See Q86.</p> <p>The answer to Q86 was: It could be argued that Level B best estimates should be restricted to cases where there are security mechanisms like sponsor support</p>	Noted.

			<p>and PPS in place, however, there could be reasonable exceptions to this principle. Prior approval of the national supervisor should not be required. Member State options should be possible, to reflect specificities of IORP systems in different Member States. Importantly, this regulation shall not affect national labour or social law.</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>	
3.405.	ACA	Q88	Applied as a member state option.	Noted.
3.406.	Actuarial Association of Europe	Q88	We consider that this should be a member state option, subject perhaps to some overarching principles to be set out in the Directive.	Noted.
3.407.	AEIP	Q88	<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>	Partially agreed. EIOPA advises a common framework including all security and adjustment mechanisms and valued on a market-consistent basis as a tool for risk management and transparency.

			We would think that this should apply to all IORP's. See answer on Q86.	
3.408.	Aon Hewitt	Q88	As a minimum, IORPS should be able to use Level B. It would also be important for IORPS to be able to show that they have adequate sponsor support available. If this is not the case, then it would be reasonable for national supervisors to review financing plans to ensure that they are appropriate and adequate.	Noted.
3.409.	Association of Pension Lawyers	Q88	If adopted (which we do not consider necessary), it should apply as a member state option only.	Noted.
3.410.	BAPI	Q88	<p>Q88: If the Level B best estimate were to be used, in the stakeholders' view should its use be restricted to IORPs which dispose of certain security and adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? 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.</p>	Noted.

			<p>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>BAPI believes this should apply for all IOPRs as in contradiction to the Level A option, this Level B option fully recognizes the IORP as a long term investor.</p>	
3.411.	BASF SE	Q88	See Q86	Noted.
3.412.	British Telecommunications plc	Q88	<p>Q88: If the Level B best estimate were to be used, in the stakeholders' view should its use be restricted to IORPs which dispose of certain security and adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? Please explain.</p> <p>The Level B best estimate should apply to all IORPs without restriction.</p>	Noted.
3.413.	Compass Group PLC	Q88	<p>Q88: If the Level B best estimate were to be used, in the stakeholders' view should its use be restricted to IORPs which dispose of certain security and adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? Please explain.</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</p>	Noted.

			<p>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 it should apply to all IORPs without restriction.</p>	
3.414.	D & L Scott	Q88	My comment in answer to Q86 applies.	Noted.
3.415.	Eversheds LLP	Q88	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We think that Level B should be the default option with national Governments having the option of applying Level A to some or all IORPs in their jurisdiction if they chose.</p>	Noted.
3.416.	FFSA	Q88	Yes, If the Level B best estimate were to be used, in order to ensure a level playing field, it should be subject to prior approval of the national supervisor or applied as a member state option.	Noted.
3.417.	FVPK	Q88	<p>If the Level B best estimate were to be used, in the stakeholders' view should its use be restricted to IORPs which dispose of certain security and adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? Please explain.</p> <p>FVPK does not support the Holistic Balance Sheet project from</p>	Noted.

			<p>Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p> <p>We would think that this should be a member state option, to reflect specificities of IORP systems in different member states. Importantly, this regulation shall not affect national labour or social law.</p>	
3.418.	GDV	Q88	<p>If the Level B best estimate were to be used, in the stakeholders' view should its use be restricted to IORPs which dispose of certain security and adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? Please explain.</p> <p>It is important that consistent approach is taken for different types of IORPs and possible arbitrage is reduced. Moreover, an advantage of a unifying approach is that it would result in a simple regime for all IORPs.</p>	Noted.
3.420.	Heathrow Airport Limited	Q88	<p>Q88: If the Level B best estimate were to be used, in the stakeholders' view should its use be restricted to IORPs which dispose of certain security and adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? Please explain.</p> <p>Heathrow Airport is opposed to the idea of solvency funding for</p>	Noted.

			<p>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 it should apply to all IORPs without restriction.</p>	
3.421.	Hoechst-Gruppe VVaG	Q88	<p>See Q86.</p> <p>The answer to Q86 was:</p> <p>It could be argued that Level B best estimates should be restricted to cases where there are security mechanisms like sponsor support and PPS in place, however, there could be reasonable exceptions to this principle. Prior approval of the national supervisor should not be required. Member State options should be possible, to reflect specificities of IORP systems in different Member States. Importantly, this regulation shall not affect national labour or social law.</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>	Noted.
3.422.	IFoA	Q88	The IFoA considers that national supervisors should give guidance	Noted

			on the approach to be used.	
3.423.	IVS	Q88	We believe that the level B approach would be appropriate for most IORPs. From a regulatory point of view, we can see arguments for restricting the level B approach to IORPs with security or adjustment mechanisms. Depending on the information publically available on such mechanisms, no prior approval by the national competent authorities is necessary.	Noted.
3.424.	NAPF	Q88	<p>Q88: If the Level B best estimate were to be used, in the stakeholders' view should its use be restricted to IORPs which dispose of certain security and adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? 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>No answer</p>	
3.427.	Pensioenfederatie	Q88	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.	Partially agreed. EIOPA advises a common framework including all security and adjustment mechanisms and valued on a market-

			<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 think that this should apply to all IORPs in combination with the conditions as quoted by EIOPA. See answer on Q 86.</p>	<p>consistent basis as a tool for risk management and transparency.</p>
3.428.	PensionsEurope	Q88	<p>If the Level B best estimate were to be used, in the stakeholders' view should its use be restricted to IORPs which dispose of certain security and adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? 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 notes that both of these options could be supported, as this would reflect the specificities of the different occupational pension systems in the various EU Member States. Member State options should be possible, to reflect specificities of national occupational pension systems. Importantly, this regulation shall not affect national labour or social law(s).</p>	<p>Noted.</p>
3.429.	Punter Southall	Q88	<p>Applied as a member state option.</p>	<p>Noted.</p>

3.432.	RPTCL	Q88	Subject to approval by each national regulator, we would consider it most appropriate (for reasons of flexibility) to allow the use of a Level B best estimate approach for all cases, irrespective of security and adjustment mechanisms.	Noted.
3.433.	Society of Pension Professionals	Q88	<p>If the Level B best estimate were to be used, in the stakeholders' view should its use be restricted to IORPs which dispose of certain security and adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? 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>This is for individual Member States and their national competent</p>	Noted.

			authorities to determine, if they consider it appropriate.	
3.434.	Towers Watson	Q88	<p>If the Level B best estimate were to be used, in the stakeholders' view should its use be restricted to IORPs which dispose of certain security and adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? Please explain.</p> <p>This is for individual Member States and their national competent authorities to determine, if they consider it appropriate.</p>	Noted.
3.435.	United Utilities Group	Q88	<p>Q88: If the Level B best estimate were to be used, in the stakeholders' view should its use be restricted to IORPs which dispose of certain security and adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? Please explain.</p>	
3.436.	ZVK-Bau	Q88	<p>We strongly object against using Level A technical provisions for any case. This does not imply that we support using Level B for calculating an SCR since we find the very concept of an SCR unnecessary. But if the HBS concept despite all warnings will find its way in the regulatory framework we suggest to leave that decision to the MS.</p>	Noted
3.437.	OPSG	Q89	<p>It is too early to decide on this as the general approach should first be specified before discussing the need to allow for additional requirements. However, this would be a pragmatic way to retain MS options within an EU wide prudential framework, allowing for an adequate consideration of national characteristics of IORPs. At the same time, such an approach might also help to encourage the establishment of cross border schemes where there may be national concerns about regulatory arbitrage.</p>	Noted.
3.438.	aba Arbeitsgemeinschaft für	Q89	<p>We would welcome a clarification that such provisions in national SLL are possible. In addition, such an approach corresponds to the need for more flexibility of the Member States.</p>	Noted.

	betriebliche Altersve			
3.439.	ACA	Q89	<p>In recent years, we have been encouraged by far greater levels of corporate interest in cross border plans, leading to increasing numbers being implemented. Such plans already allow for minimum funding requirements based on host country social and labour law within the funding structure regulated by the home country. As alluded to in the text, we believe that the main issue preventing a higher take up rate for cross border IORPS has been the requirement to be fully funded at all times, particularly at outset. Another reason for the low take up rate is the difficulty in gaining supervisory approval to transfer assets and liabilities between IORPS in different member states.</p> <p>Adding in further host country requirements for cross border plans would lead to greater complexity and costs of compliance. This is likely to further deter sponsors from supporting defined benefit plans on a cross border basis, thereby having the opposite effect to that desired.</p> <p>Since financing is linked to prudential regimes, it is more appropriate to allow member states to specify additional requirements through national prudential regimes rather than social and labour laws.</p>	Noted.
3.440.	Actuarial Association of Europe	Q89	<p>This would be a pragmatic way to retain MS options within an EU wide prudential framework, and might help to encourage the establishment of cross border schemes where there may be national concerns about regulatory arbitrage.</p>	Noted.

3.441.	AEIP	Q89	<p>AEIP does not believe that the HBS might serve as an adequate tool for prudential supervision.</p> <p>It should neither be used for capital requirements nor as an information tool towards scheme members. If any concrete use for the HBS should be sought, the HBS could possibly have a limited value as a risk management tool. However, it is still too complex for small and medium sized IORPs, and there are less complex (and more efficient) methods that might be used.</p> <p>AEIP answered all questions of the consultation despite of these doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>Yes. This is currently established practice in many Member States and hence would tally in nicely with the present arrangements, without jeopardizing the national equilibrium in pension legislation, thus avoiding violation of the subsidiarity principle.</p>	Noted.
3.442.	Aon Hewitt	Q89	<p>We agree that the full-funding requirements have contributed to the low level of cross-border activity. This has been a factor in preventing many companies extending IORPs in their head office location to include employees in other countries. However another reason for the low level is the difficulty in gaining supervisory approval to transfer assets and liabilities between IORPS in different member states.</p> <p>Since financing is linked to prudential regimes, it is more appropriate to allow member states to specify additional requirements through national prudential regimes rather than social</p>	Noted.

			and labour laws.	
3.443.	Association of Pension Lawyers	Q89	It is acknowledged that funding obligations for IORPs may be viewed as integral to the employment relationship and may be therefore categorised as a matter for national social and labour law rather than prudential regulation. Indeed one concern about EU capital/funding requirements is that they interfere with the pre-existing obligations of employers. We would see no objection to member states specifying additional funding requirements under social and labour law. However, this would obviously require some ring-fencing of assets for schemes operating cross-border.”	Noted.
3.444.	BAPI	Q89	<p>Q89: Do stakeholders believe it would be a sensible approach for member states to specify additional requirements regarding the funding with (financial) assets through national social and labour law, instead of through national prudential regimes? 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>	Noted.

			Different approaches can be defended as these reflect the different occupational pension environment in the different Member States. Although violation of the subsidiarity principle should be avoided. Please note, by doing so also cross border activities and possible other players on the market (life insurers) might be affected.	
3.445.	Barnett Waddingham LLP	Q89	We believe that any solvency requirements should be set by member states who will have an understanding of the appropriate background.	Noted.
3.446.	BASF SE	Q89	There should be no unnecessary mixture of these fields of regulation (see general remarks). In Germany old age provision is always promised by the employer to the employee. The relevant rules which lead to a high safety of the promises are part of labour, co-determination and social law. IORPs are the vehicles which execute the entitlements given by German employers. Their funding and prudential regime should be regulated in separated rules. The supervisory regulation should always be subordinated to labour, social and co-determination law.	Noted.
3.448.	CEEP	Q89	General Position towards the “balancing item approach” and the use within the HBS (in the cases of the application of the BIA the strength of the security mechanisms / sponsor support is actually proven and thus solvency II-like 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.)	Noted.
3.449.	Compass Group PLC	Q89	Q89: Do stakeholders believe it would be a sensible approach for	

			member states to specify additional requirements regarding the funding with (financial) assets through national social and labour law, instead of through national prudential regimes? Please explain.	
3.450.	D & L Scott	Q89	My understanding why the additional requirement that cross-border IORPs be fully funded «at all times» was included in the IORP Directive 2003 was because of perceived wide variations between Member States' national social and labour laws. I would suggest there has been considerable convergence since then by at least the larger Member States and also by some of the smaller Member States. I am hesitant to leave responsibility with national prudential regimes, since at least in the case of the United Kingdom the Pensions Regulator adopted the IORP Directive 2003 requirement for cross-border schemes in an inflexible way. I contrast the United Kingdom approach with the Republic of Ireland's Pensions Board which implemented the same IORP Directive 2003 requirement with some flexibility, using a three-year recovery plan as a default, which may be disregarded in specific circumstances at the discretion on the Board.	Noted.
3.451.	EEF	Q89	We support the continuing focus on national prudential regimes rather than hardwiring provisions within national and social labour law. This approach is more adaptable to rapidly changing economic circumstances and crises as experience following the recession that started in 2008 demonstrated. This approach is already well-bedded down in the UK and would be the least disruptive for the future.	Noted.
3.452.	Eversheds LLP	Q89	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	Noted.

			<p>practicable and does not place undue burdens on workplace pension schemes.</p> <p>We think that it should be left for Member States to decide whether to implement additional requirements (if any) through social and labour law or through a national prudential regime.</p>	
3.453.	FVPK	Q89		
3.454.	GDV	Q89	<p>Do stakeholders believe it would be a sensible approach for member states to specify additional requirements regarding the funding with (financial) assets through national social and labour law, instead of through national prudential regimes? Please explain.</p> <p>The funding requirements should only be imposed through national prudential law and not the social and labour law. Since the quantitative requirements are not harmonised, the cross border IORPs should be fully funded at all times to ensure a high level protection of members and beneficiaries and prevent regulatory arbitrage.</p>	Noted.
3.456.	Heathrow Airport Limited	Q89	<p>Q89: Do stakeholders believe it would be a sensible approach for member states to specify additional requirements regarding the funding with (financial) assets through national social and labour law, instead of through national prudential regimes? Please explain.</p>	
3.457.	Hoechst-Gruppe VVaG	Q89	<p>We would welcome a clarification that such provisions in national SLL are possible. In addition, such an approach corresponds to the need for more flexibility of the Member States.</p>	Noted.

3.458.	IFoA	Q89	We agree that MS should have the facility to do this.	Noted.
3.459.	IVS	Q89	Yes, this could enhance fair competition between member states in cross border business because the relevant SLL would have to be satisfied by all IORPs doing business in a particular country. That could possibly enhance cross border business.	Noted.
3.460.	Jane Marshall Consulting	Q89	No. We emphasise once again that member states with substantial IORPS have devised regulatory and legal systems which reflect the national consensus on how risk is shared between sponsors, the corporate sector, individuals and the taxpayer. How they do that is up to them. It	Noted.
3.461.	NAPF	Q89	<p>Q89: Do stakeholders believe it would be a sensible approach for member states to specify additional requirements regarding the funding with (financial) assets through national social and labour law, instead of through national prudential regimes? 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>Additional funding requirements are not commonly used in the UK, where just a small number of schemes have secondary funding objectives.</p>	Noted.

			The NAPF would prefer using national prudential rules, rather than social and labour law, as the basis of pension scheme funding, as this is the approach to which UK schemes are accustomed – hence minimum disruption.	
3.464.	Pensioenfederatie	Q89	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>Yes. This is currently established practice in the Netherlands and hence would tally in nicely with the present arrangements, without jeopardizing the national equilibrium in pension legislation, and thus avoiding violation of the subsidiarity principle.</p>	Noted.
3.465.	PensionsEurope	Q89	<p>Do stakeholders believe it would be a sensible approach for member states to specify additional requirements regarding the funding with (financial) assets through national social and labour law, instead of through national prudential regimes? Please explain.</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see</p>	Noted.

			<p>General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>PensionsEurope notes that different approaches can be defended as these reflect the different occupational pension environments in the different Member States. Please note, by doing so also cross border activities and possible other players on the market (life insurers) might be affected.</p> <p>This is currently established practice in the Netherlands and hence would tally in nicely with the present arrangements, without jeopardizing the national equilibrium in pension legislation, thus avoiding breaching the subsidiarity principle.</p> <p>On the contrary, UK schemes would favor using national prudential rules, rather than social and labour law, as the basis of pension scheme funding, as this is the approach to which UK schemes are accustomed.</p>	
3.468.	RPTCL	Q89	<p>We have a preference for member states to be able to specify additional requirements for funding on the basis that any EU wide funding requirements should be minimal. We also have a preference for any additional requirements to be introduced via national prudential regimes rather than national social and labour law.</p>	Noted.

3.469.	Society of Pension Professionals	Q89	<p>Do stakeholders believe it would be a sensible approach for member states to specify additional requirements regarding the funding with (financial) assets through national social and labour law, instead of through national prudential regimes? 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>In recent years, we have been encouraged by far greater levels of corporate interest in establishing and operating cross border IORPs; indeed this has led to an increase in the number of such plans being set up. These IORPs are already subject to the minimum funding requirements that are, to a greater or lesser degree, generated by meeting the requirements of the host country(ies) social and labour law and its effect on the (prudential) funding</p>	Noted.
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			<p>regime of the home State.</p> <p>As alluded to in the consultation document itself, we believe that a major issue preventing a higher take up rate for cross border IORPs is the requirement to be fully funded at all times, particularly at outset. Another reason for the low take up is the difficulty in gaining supervisory approval to transfer assets and liabilities between IORPs in different member states.</p> <p>Adding in further host country requirements for cross border plans would lead to still greater complexity and costs of compliance. This is likely to have the opposite effect to the Commission's stated intention by further deterring sponsors from supporting defined benefit plans on a cross border basis.</p> <p>Since financing is linked to prudential regimes, it is more appropriate to allow individual Member States to specify any additional requirements through national prudential regimes rather than social and labour laws.</p>	
3.470.	Towers Watson	Q89	<p>Do stakeholders believe it would be a sensible approach for member states to specify additional requirements regarding the funding with (financial) assets through national social and labour law, instead of through national prudential regimes? Please explain.</p> <p>This is for individual Member States and their national competent authorities to determine, if they consider it appropriate.</p>	Noted.
3.471.	United Utilities Group	Q89	<p>Q89: Do stakeholders believe it would be a sensible approach for member states to specify additional requirements regarding the funding with (financial) assets through national social and labour</p>	

			law, instead of through national prudential regimes? Please explain.	
3.472.	ZVK-Bau	Q89	Apart from the overall unfitting concept of the HBS for our scheme the answer is yes. This might add some of the necessary leeway to adjust to national specificities.	Noted.
3.473.	OPSG	Q90	<p>If the concept of HBS requires the inclusion of all steering instruments, there are no further instruments available for recovery if the funding would be too low. In this case the recovery plan cannot be set up; it is already included in the HBS in the form of the steering instruments available to the IORP. As noted by the OPSG in previous responses, this is a major problem in relation to the use of the HBS in practice: the IORP appears to be in an impossible situation if all mechanisms have been taken into account and the HBS still does not balance, whereas in practice some solution must (and can) be found.</p> <p>There is scope for harmonised principles on the recovery period for the sake of the protection of the beneficiaries. Such harmonisation will permit a fair establishment of cross-border IORPs as opposed to regulatory arbitrage with IORPs moving to countries applying lower requirements (race to the bottom). However, if the HBS is not used for pillar 1, as we suggest all along in our response a recovery period linked to the HBS will become irrelevant.</p> <p>On balance, the OPSG considers that it Option 3 is most appropriate i.e. that it should be a member state option to set the length for the period (i.e. the plan horizon) over which the level of technical provisions should be covered with financial assets, subject perhaps to some overarching principles to be set out in the Directive.</p>	Noted.

3.474.	100 Group of Finance Directors	Q90	<p>Q90: Do stakeholders believe that there is scope for harmonising the recovery period regarding the level of technical provisions to be covered with financial assets on the EU level? 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>No. This should be left to the member state level.</p>	Noted.
3.475.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q90	<p>We doubt that harmonising would be appropriate especially in option 1 with short recovery periods (see Q91). Even if the recovery period was longer, harmonization would not be sensible because of the big differences between IORP systems and in particular the security mechanisms anchored in national social and labour law. Leaving it to the discretion of Member States is the best approach, because this way the duration of the liabilities can be taken into account.</p> <p>The answer to Q91 was: The arguments presented in 5.114 and 5.86 especially that sponsor money is usually best invested in the own business rather than paid as solvency buffer into the IORP have to be highlighted. This supports an extensive period of time for recovery of any underfunding, which is locally decided (see Q90). Due to the long</p>	Noted.

			duration of pension entitlements an underfunding situation usually does not affect the ability of the IORP to pay its benefits for a very long period. Thus, long recovery periods can help to define an appropriate recovery plan avoiding pro-cyclical behavior. In addition, the volatility associated with a market consistent valuation is another argument for an extensive time period.	
3.476.	ACA	Q90	No. It should be left to the discretion of member states.	Noted.
3.477.	Actuarial Association of Europe	Q90	We consider that this should be a member state option or, if allowed under social and labour law, be agreed at the level of the pension promise, subject perhaps to some overarching principles to be set out in the Directive.	Noted.
3.478.	AEIP	Q90	<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>Recovery periods are integral parts of national pension systems. Since national pension systems are very different across member states, harmonizing recovery periods would disrupt one or more of these systems. As all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can</p>	Noted.

			be developed.	
3.479.	Aon Hewitt	Q90	No. Pension schemes vary enormously across the EEA, and their relative importance to members also varies (depending on the level of state and other mandatory plans). Therefore, we do not think recovery periods should be harmonised given the lack of harmony in other areas.	Noted.
3.480.	Association of Pension Lawyers	Q90	<p>1. If the concept of HBS which is finally decided upon is going to include all available steering instruments – for example, valuation of both sponsor support and of pension protection schemes on the asset side, benefit reduction mechanisms and all discretionary mechanisms on the liability side, then logically there are no further “tools” available for a recovery plan if the funding level is too low. Effectively the recovery plan is already included in the HBS in the form of the steering instruments available to the IORP.</p> <p>2. Notwithstanding this, if there are recovery plans, it should be a member state option to set the length of that period, subject only perhaps to some overarching principles to be set out in the Directive.</p> <p>3. Ultimately, whatever approach is taken it must reflect the national social and labour law environment within which the IORP operates in each member state.</p>	Noted.
3.481.	BAPI	Q90	<p>Q90: Do stakeholders believe that there is scope for harmonizing the recovery period regarding the level of technical provisions to be covered with financial assets on the EU level? 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</p>	

			<p>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>If EU would like to harmonize the recovery periods regarding the level of technical provisions with financial assets, BAPI believes these periods should be sufficiently long enough with the flexibility to Member States to opt for a more stringent approach. BAPI's preference goes to option 3 where national competent authorities determine the recovery period taking into account the specificities of the pension scheme, given national social and labour law, the affordability of the sponsor, the characteristics of the IORP (profit vs non-profit), etc...</p>	Noted.
3.482.	Barnett Waddingham LLP	Q90	No, we do not believe there is scope for harmonising the recovery period. We believe that any requirements should be set by national regulators who will have an understanding of the appropriate background.	Noted.
3.483.	BASF SE	Q90	No as we doubt that a harmonizing would be appropriate especially in option 1 with short recovery periods (see Q91). If the recovery period however is set as an extensive period of time harmonization (option 2) might be possible. Nevertheless leaving it to the	Noted.

			discretion of member states also is the best approach since the need of recovery is dependent on the national rules in social and labour law.	
3.484.	Better Finance	Q90	Better Finance thinks that there is certainly scope for harmonized principles on the recovery period for the sake of the protection of the members. Such maximum harmonization as defined in Option 1 will permit for a quicker (and potentially less severe cases) resolution and increase the possibility to establish cross-border IORPs as the regulatory arbitrage will be minimized.	Noted.
3.485.	British Telecommunications plc	Q90	<p>Q90: Do stakeholders believe that there is scope for harmonising the recovery period regarding the level of technical provisions to be covered with financial assets on the EU level? Please explain.</p> <p>No. This should be left to the member state level.</p>	Noted.
3.486.	Compass Group PLC	Q90	<p>Q90: Do stakeholders believe that there is scope for harmonising the recovery period regarding the level of technical provisions to be covered with financial assets on the EU level? Please explain.</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>	Noted.

			No. This should be left to the member state level.	
3.487.	D & L Scott	Q90	No. There are differences in national social and labour laws and prudential regimes.	Noted.
3.488.	EEF	Q90	<p>No. We strongly oppose such harmonisation.</p> <p>We would not support any reduction in the amount of flexibility available for determining what the recovery period should be. This flexibility works well in the UK, under the supervision of the Pensions Regulator. It has helped the UK undertake the difficult task of balancing improved pension security but not at the risk of reducing significantly job security.</p>	Noted.
3.489.	Eversheds LLP	Q90	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>No. Harmonised recovery periods would not be appropriate given that there are such major differences between national pension systems and the IORPs within those systems. Instead, it should be left to national regulators to determine the appropriate recovery periods for IORPs within their jurisdiction.</p>	Noted.

3.490.	FFSA	Q90	Yes. Same protection for all beneficiaries. Supervisory actions should be comparable across member states in order to ensure high level of protection of members and beneficiaries and avoid regulatory arbitrage and unlevel playing field.	Noted.
3.491.	FSUG	Q90	FSUG members think that there is certainly scope for harmonized principles on the recovery period for the sake of the protection of the members. Such maximum harmonization as defined in Option 1 will permit for a quicker (and potentially less severe cases) resolution and increase the possibility to establish cross-border IORPs as the regulatory arbitrage will be minimized.	Noted.
3.492.	GDV	Q90	Do stakeholders believe that there is scope for harmonising the recovery period regarding the level of technical provisions to be covered with financial assets on the EU level? Please explain. Due to the differences in pension schemes across Member States the design of recovery plans should be determined by the competent authorities. However, public transparency is necessary in order to avoid possible arbitrage.	Noted.
3.494.	Heathrow Airport Limited	Q90	Q90: Do stakeholders believe that there is scope for harmonising the recovery period regarding the level of technical provisions to be covered with financial assets on the EU level? Please explain. 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.	

			No. This should be left to the member state level.	Noted.
3.495.	Hoechst-Gruppe VVaG	Q90	<p>We doubt that harmonising would be appropriate especially in option 1 with short recovery periods (see Q91). Even if the recovery period was longer, harmonization would not be sensible because of the big differences between IORP systems and in particular the security mechanisms anchored in national social and labour law. Leaving it to the discretion of Member States is the best approach, because this way the duration of the liabilities can be taken into account.</p> <p>The answer to Q91 was:</p> <p>The arguments presented in 5.114 and 5.86 especially that sponsor money is usually best invested in the own business rather than paid as solvency buffer into the IORP have to be highlighted. This supports an extensive period of time for recovery of any underfunding, which is locally decided (see Q90). Due to the long duration of pension entitlements an underfunding situation usually does not affect the ability of the IORP to pay its benefits for a very long period. Thus, long recovery periods can help to define an appropriate recovery plan avoiding pro-cyclical behavior. In addition, the volatility associated with a market consistent valuation is another argument for an extensive time period.</p>	Noted.
3.496.	IFoA	Q90	The IFoA considers that national supervisors should give guidance on the approach to be used.	Noted.
3.497.	IVS	Q90	Yes, subject to the following comments:	Noted.

			<p>One of the impediments against fair competition under IORP I was that particular national competent authorities could “market” recovery periods that were longer than in other countries.</p> <p>So a common approach (!) not a common recovery period in absolute terms i.e. expressed in years (!) makes good sense from a regulatory point of view. Having said that, reality needs to be taken into account too.</p> <p>To be clear: identical EU-wide specifications for for an identical recovery period (e.g. expressed in years) for meeting TP requirements are not suitable, because of national differences in the pension systems and, in particular, their history. These characteristics and their history cannot simply be ignored.</p> <p>The period itself should be extensive and take account of the national characteristics of a nation’s IORPs and, in particular, their history. These characteristics and their history cannot simply be ignored. The volatility of the market value of assets shouldn’t lead to short-term additional contributions by the plan sponsors. Especially in times of financial hardship, a short period would lock up money that could be better used to strengthen the business/economy. The period should take the duration of the liabilities into account.</p> <p>If there are special issues of a general nature in one or more member states, then an (ex-ante) regulation needs to be flexible enough for policy-setter to act appropriately in the interests of the stakeholders of an IORP.</p>	
3.498.	Jane Marshall Consulting	Q90	No.We emphasise once again that member states with substantial IORPS have devised regulatory and legal systems which reflect the national consensus on how risk is shared between sponsors,the corporate sector,individuals and the taxpayer.How they do that is up to them..	Noted.

3.500.	NAPF	Q90	<p>Q90: Do stakeholders believe that there is scope for harmonising the recovery period regarding the level of technical provisions to be covered with financial assets on the EU level? 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>No. Harmonised recovery periods do not make sense when there are such major differences between and within national pension systems.</p> <p>In the Netherlands, for example, the ability to reduce benefits provides the principal safety valve for IORPS under financial pressure. In the UK, scheme-specific recovery periods are the primary means of allowing IORPs to ride out periods of difficulty.</p>	Noted.
3.503.	Pensioenfederatie	Q90	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in</p>	

			<p>order to provide our constructive input to the works of EIOPA.</p> <p>Recovery periods are integral parts of national pension systems. Since pension systems are very different across Member States, harmonizing recovery periods would disrupt one or more of these systems. As all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can be developed.</p>	Noted.
3.504.	PensionsEurope	Q90	<p>Do stakeholders believe that there is scope for harmonising the recovery period regarding the level of technical provisions to be covered with financial assets on the EU level? 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>No. Recovery periods are integral parts of national pension systems. Since national pension systems are very different across Member States, harmonizing recovery periods would disrupt one or more of these systems. Indeed Members States follow different approaches and favor different priorities for considering security mechanisms to support IORPs facing financial difficulties. For example, while in some Member States the ability to reduce benefits provides the principal safety valve for IORPs under</p>	Noted.

			<p>financial pressure, long recovery periods will be firstly favoured in other Member States.</p> <p>We doubt that harmonising would be appropriate especially in option 1 with short recovery periods (we note it should be Member State decision to set the length of the recovery period depending on the set-up of the pension system). Even if the recovery period was longer, harmonization would not be sensible because of the big differences between occupational pension systems and in particular the security mechanisms anchored in national social and labour law(s). Leaving it to the discretion of Member States is the best approach, because this way the duration of the liabilities can be taken into account.</p> <p>Furthermore, as all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can be developed (see general remarks).</p>	
3.505.	Punter Southall	Q90	No. It should be left to the discretion of member states.	Noted.
3.508.	RPTCL	Q90	We do not consider it sensible to harmonise the recovery period relating to the level of technical provisions to be covered with financial assets. Harmonised recovery periods are not appropriate when there are such major differences between national pension systems, so any guidelines or rules for recovery period should be left for the national supervisor to set.	Noted.
3.509.	Society of Pension Professionals	Q90	Do stakeholders believe that there is scope for harmonising the recovery period regarding the level of technical provisions to be covered with financial assets on the EU level? Please explain.	

			<p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>No. Occupational pension (pillar II) provision varies hugely from Member State to Member State. In some countries it is non-existent or very limited; usually where there is a significant replacement ratio from State pension (pillar I) provision. In other countries occupational pensions are common. National Competent Authorities and individual Member States are entirely capable of ensuring that adequate funding and protection measures are in place. Consequently, this is a matter that is for individual Member States and their national competent authorities to determine as they consider appropriate.</p>	<p>Noted.</p>
3.511.	Towers Watson	Q90	Do stakeholders believe that there is scope for harmonising the	

			<p>recovery period regarding the level of technical provisions to be covered with financial assets on the EU level? Please explain.</p> <p>No. Occupational pension (pillar II) provision varies hugely from Member State to Member State. In some countries it is non-existent or very limited; usually where there is a significant replacement ratio from State pension (pillar I) provision. In other countries occupational pensions are common. National Competent Authorities and individual Member States are entirely capable of ensuring that adequate funding and protection measures are in place. Consequently, this is a matter that is for individual Member States and their national competent authorities to determine as they consider appropriate.</p>	Noted.
3.512.	United Utilities Group	Q90	<p>Q90: Do stakeholders believe that there is scope for harmonising the recovery period regarding the level of technical provisions to be covered with financial assets on the EU level? Please explain.</p> <p>No. This should be left to the member state level.</p>	Noted.
3.513.	USS Limited	Q90	<p>There is no reason to create rules harmonising recovery periods. Any such rules would be entirely arbitrary and fail to acknowledge the complexities underlying IORP funding. For example :</p> <p>Security and affordability for the sponsor</p> <p>Under current UK regulatory guidance both trustees and employers understand that deficits should be recovered over a timeframe that balances benefit security and affordability for the sponsor.</p>	Noted.

			<p>Cross-border schemes</p> <p>There is no evidence of significant demand for cross-border schemes and therefore we would question the need for standardised recovery plans across member states.</p> <p>Complexity of IORP funding</p> <p>A recovery period is the outcome of a consultation and it reflects a series of valuation assumptions and the specifics of the IORP (and the national system in which it operates). Accordingly, harmonised cross-border recovery periods are not appropriate.</p>	
3.514.	ZVK-Bau	Q90	No.	Noted.
3.515.	OPSG	Q91	<p>If the concept of HBS requires the inclusion of all steering instruments, there are no further instruments available for recovery if the funding would be too low. In this case the recovery plan cannot be set up; it is already included in the HBS in the form of the steering instruments available to the IORP. However, if the HBS is not used for pillar 1, as we suggest all along in our response, a recovery period linked to the HBS will become irrelevant.</p> <p>The usually long duration of pension liabilities allow for a long-term approach to risk management. However, a recovery period must not be so long that the IORP is not able to pay out pension benefits as they come due.</p> <p>The OPSG considers that it should be a member state option to set the length for the period (i.e. the plan horizon) over which the level</p>	Noted.

			of technical provisions should be covered with financial assets, subject perhaps to some overarching principles to be set out in the Directive.	
3.516.	100 Group of Finance Directors	Q91	<p>Q91: Do stakeholders think that the recovery period regarding the level of technical provisions to be covered with financial assets should be short or cover an extensive period of time? 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>This should be specific to the individual circumstances of an IORP and its sponsor(s).</p>	Noted.
3.517.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q91	<p>The arguments presented in 5.114 and 5.86, especially that sponsor money is usually best invested in the own business rather than paid as solvency buffer into the IORP, have to be highlighted. This supports an extensive period of time for recovery of any underfunding, which is locally decided (see Q90). Due to the long duration of pension entitlements an underfunding situation usually does not affect the ability of the IORP to pay its benefits for a very long period. Thus, long recovery periods can help to define an appropriate recovery plan avoiding pro-cyclical behavior. In addition, the volatility associated with a market consistent valuation is another argument for an extensive time period.</p>	Noted.

			<p>The answer to Q90 was:</p> <p>We doubt that harmonising would be appropriate especially in option 1 with short recovery periods (see Q91). Even if the recovery period was longer, harmonization would not be sensible because of the big differences between IORP systems and in particular the security mechanisms anchored in national social and labour law. Leaving it to the discretion of Member States is the best approach, because this way the duration of the liabilities can be taken into account.</p>	
3.518.	ACA	Q91	Flexibility required with approval of national supervisor.	Noted.
3.519.	Actuarial Association of Europe	Q91	We consider that this should be a member state option or, if allowed under social and labour law, be agreed at the level of the pension promise, subject perhaps to some overarching principles to be set out in the Directive. [The existing term "limited period of time" is open to interpretation and some more explicit wording should be used e.g. 5 to 10 years.]	Noted.
3.520.	AEIP	Q91	<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</p>	

			<p>EIOPA.</p> <p>This is entirely dependent on the set-up of the pension system. It does not only depend on the nature of the pension entitlements (are these guarantee-like, ambitions, or not defined at all?) , but also on for example the governance structure, the participants included and other sources of pension provision, such as government pensions or private pensions. The length of the recovery period should be determined vis-à-vis the duration of the liabilities.</p>	Noted.
3.521.	AGV Chemie	Q91	<p>The arguments that sponsor money is usually best invested in the own business rather than paid as solvency buffer into the IORP have to be highlighted. This supports an extensive period of time for recovery of any underfunding. Due to the long duration of pension entitlements, an underfunding situation usually does not affect the possibility of the IORP to pay its benefits for a very long period. Thus, long recovery periods can help to define an appropriate recovery plan avoiding pro-cyclical behaviour.</p>	Noted.
3.522.	Aon Hewitt	Q91	<p>A long period should be allowed, subject to the discretion of member states. This would reduce the cash flow burden on sponsors and also allow investment in longer-term assets. We note that US pension schemes allow deficits to be funded over a minimum period of 7 years, and US Congress has granted additional relief due to current low interest rates. Any attempts to have a shorter period would potentially put sponsors of EEA pensions schemes at a disadvantage compared to US counterparts. It may also discourage US multinationals from investing further in European businesses if faced with higher EEA pension contributions.</p>	Noted.

			We would also expect that many more defined benefit schemes would close if deficits needed to be funded over a short period, as sponsors would want to reduce the risk of further cost increases in the future.	
3.523.	Association of Pension Lawyers	Q91	As above. But again, if there are to be recovery plans, we think it should be a member state option as to whether these should be short or long periods of time.	Noted.
3.524.	BAPI	Q91	<p>Q91: Do stakeholders think that the recovery period regarding the level of technical provisions to be covered with financial assets should be short or cover an extensive period of time? 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>If EU would like to harmonize the recovery periods regarding the level of technical provisions with financial assets, BAPI believes</p>	Noted.

			these periods should be sufficiently long enough with the flexibility to Member States to opt for a more stringent approach. BAPI's preference goes to option 3 where national competent authorities determine the recovery period taking into account the specificities of the pension scheme, given national social and labour law, the affordability of the sponsor, the characteristics of the IORP (profit vs non-profit), etc...	
3.525.	Barnett Waddingham LLP	Q91	We believe that any requirements should be set by national regulators who will have an understanding of the appropriate background.	Noted.
3.526.	BASF SE	Q91	The arguments presented in 5.114 and 5.86 especially that sponsor money is usually best invested in the own business rather than paid as solvency buffer into the IORP have to be highlighted. This supports an sufficiently long period of time for recovery of any underfunding. Due to the long duration of pension entitlements an underfunding situation usually does not affect the possibility of the IORP to pay its benefits for a very long period. Thus, long recovery periods can help to define an appropriate recovery plan avoiding pro-cyclical behavior. However, the decision on both, content and length, a recovery plan should be left to the member states to ensure a close fit with the other relevant national pension provisions.	Noted.
3.527.	BDA	Q91	The arguments that sponsor money is usually best invested in the own business rather than paid as solvency buffer into the IORP have to be highlighted. This supports an extensive period of time for recovery of any underfunding. Due to the long duration of pension entitlements, an underfunding situation usually does not affect the possibility of the IORP to pay its benefits for a very long period. Thus, long recovery periods can help to define an appropriate recovery plan avoiding pro-cyclical behaviour.	Noted.

3.528.	Better Finance	Q91	Shortest possible with early-warning mechanisms in place to quickly solve the situation and limit the spreading onto members, sponsors and potentially other IORPs.	Noted.
3.529.	British Telecommunications plc	Q91	<p>Q91: Do stakeholders think that the recovery period regarding the level of technical provisions to be covered with financial assets should be short or cover an extensive period of time? Please explain.</p> <p>This should be specific to the individual circumstances of an IORP and its sponsor(s). As recognised in the consultation document (5.115), an inappropriately short period could lead to unnecessary damage to the sponsor. This could increase the probability of the employer's insolvency with the outcome for members' benefits worsened.</p>	Noted.
3.530.	Compass Group PLC	Q91	<p>Q91: Do stakeholders think that the recovery period regarding the level of technical provisions to be covered with financial assets should be short or cover an extensive period of time? Please explain.</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>	

			This should be specific to the individual circumstances of an IORP and its sponsor(s).	Noted.
3.531.	D & L Scott	Q91	The funding regime is supposed to be IORP-specific. I find the suggestion of both short or extensive recovery periods as a default to run contrary to that regime. I would suggest «at all times» is unrealistic and look, for example, at the Irish example of three-year default recovery periods, with different (longer or shorter) periods allowed in exceptional circumstances on an IORP-specific basis.	Noted.
3.532.	EEF	Q91	The relationship between sponsor support, sponsor viability, the duration of a recovery period and the inputs into the technical provisions are a complex equation that needs to be considered at IORP (scheme-specific) level. A single off the shelf answer (whether it is 'short' or 'extensive') is not appropriate for such a complex issue.	Noted.
3.533.	Eversheds LLP	Q91	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We think that it should be left to national regulators to determine the appropriate period of time for recovery period for the level of technical provisions to be covered with financial assets.</p>	Noted.

3.534.	Evonik Industries AG	Q91	The arguments that sponsor money is usually best invested in the own business rather than paid as solvency buffer into the IORP have to be highlighted. This supports an extensive period of time for recovery of any underfunding. Due to the long duration of pension entitlements, an underfunding situation usually does not affect the possibility of the IORP to pay its benefits for a very long period. Thus, long recovery periods can help to define an appropriate recovery plan avoiding pro-cyclical behaviour.	Noted.
3.535.	FFSA	Q91	It should be short with an option to the supervisor for extension when needed.	Noted.
3.536.	FSUG	Q91	Shortest possible with early-warning mechanisms in place to quickly solve the situation and limit the spreading onto members, sponsors and potentially other IORPs.	Noted.
3.537.	FVPK	Q91	<p>Do stakeholders think that the recovery period regarding the level of technical provisions to be covered with financial assets should be short or cover an extensive period of time? Please explain.</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p> <p>FVPK is in favour of longer recovery periods in Austria as this is much more consistent with the structure of benefit payments (which are pure DC) and allows to continue the main part of the</p>	Noted.

			business also if there is an underfunding for the optional additional guarantees. Long recovery periods avoid the strange situation that an IORP which does a very good management of the dedicated funds (which are pure DC) but has a temporary bad management of the small part of optional additional guarantees has to end it's business in a short time.	
3.538.	GDV	Q91	<p>Do stakeholders think that the recovery period regarding the level of technical provisions to be covered with financial assets should be short or cover an extensive period of time? Please explain.</p> <p>Due to the differences in pension schemes across Member States the design of recovery plans should be determined by the competent authorities. However, public transparency is necessary in order to avoid possible arbitrage.</p>	Noted.
3.540.	Heathrow Airport Limited	Q91	<p>Q91: Do stakeholders think that the recovery period regarding the level of technical provisions to be covered with financial assets should be short or cover an extensive period of time? 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>This should be specific to the individual circumstances of an IORP</p>	Noted.

			and its sponsor(s).	
3.541.	Hoechst-Gruppe VVaG	Q91	<p>The arguments presented in 5.114 and 5.86, especially that sponsor money is usually best invested in the own business rather than paid as solvency buffer into the IORP, have to be highlighted. This supports an extensive period of time for recovery of any underfunding, which is locally decided (see Q90). Due to the long duration of pension entitlements an underfunding situation usually does not affect the ability of the IORP to pay its benefits for a very long period. Thus, long recovery periods can help to define an appropriate recovery plan avoiding pro-cyclical behavior. In addition, the volatility associated with a market consistent valuation is another argument for an extensive time period.</p> <p>The answer to Q90 was:</p> <p>We doubt that harmonising would be appropriate especially in option 1 with short recovery periods (see Q91). Even if the recovery period was longer, harmonization would not be sensible because of the big differences between IORP systems and in particular the security mechanisms anchored in national social and labour law. Leaving it to the discretion of Member States is the best approach, because this way the duration of the liabilities can be taken into account.</p>	Noted.
3.542.	IFoA	Q91	The IFoA considers that national supervisors should give guidance on the approach to be used.	Noted.
3.543.	IVS	Q91	The period should be extensive. The volatility of the market value of assets shouldn't lead to short-term fluctuations in contributions by the plan sponsors. Especially in times of financial hardship, a	Noted.

			<p>short period would lock up money that could be better used to strengthen the business/economy. A short recovery period would also transpose financial shocks into the real economy as employers would have to make additional contributions to their IORPs. The period should take the duration of the liability into account. For pension plans this would typically imply an extensive period of time. The recovery period should also depend on the existence of a security or adjustment mechanism, which would reflect the different needs of coverage. We agree with EIOPA's statement in par. 5.111 that in case of the existence of a PPS the rationale given for shorter recovery periods doesn't apply.</p>	
3.544.	Jane Marshall Consulting	Q91	<p>No. We emphasise once again that member states with substantial IORPS have devised regulatory and legal systems which reflect the national consensus on how risk is shared between sponsors, the corporate sector, individuals and the taxpayer. How they do that is up to them..</p>	Noted.
3.546.	NAPF	Q91	<p>Q91: Do stakeholders think that the recovery period regarding the level of technical provisions to be covered with financial assets should be short or cover an extensive period of time? 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>A flexible approach should be allowed, including approval by the national supervisor.</p>	Noted.

3.549.	Otto Group	Q91	<p>The arguments that sponsor money is usually best invested in the own business rather than paid as solvency buffer into the IORP have to be highlighted. This supports an extensive period of time for recovery of any underfunding. Due to the long duration of pension entitlements, an underfunding situation usually does not affect the possibility of the IORP to pay its benefits for a very long period. Thus, long recovery periods can help to define an appropriate recovery plan avoiding pro-cyclical behaviour.</p>	Noted.
3.550.	Pensioenfederatie	Q91	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>This is entirely dependent on the set-up of the pension system. It does not only depend on the nature of the pension entitlements (are these guarantee-like, ambitions, or not defined at all?) , but also on for example the governance structure, the participants included and other sources of pension provision, such as state or private pensions. As all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can be developed.</p>	Noted.

3.551.	PensionsEurope	Q91	<p>Do stakeholders think that the recovery period regarding the level of technical provisions to be covered with financial assets should be short or cover an extensive period of time? 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>This is entirely dependent on the set-up of the pension system. It does not only depend on the nature of the pension entitlements but also on for example the governance structure, the participants included and other sources of pension provision, such as government pensions or private pensions. Therefore it should be a Member State decision to set the length of the recovery period.</p> <p>The arguments presented in 5.114 and 5.86 especially that sponsor money is usually best invested in the own business rather than paid as solvency buffer into the IORP have to be highlighted. This supports an extensive period of time for recovery of any underfunding, which is locally decided. Due to the long duration of pension entitlements an underfunding situation usually does not affect the possibility of the IORP to pay its benefits for a very long period. Thus, we note that long recovery periods can help to define an appropriate recovery plan avoiding pro-cyclical behavior.</p>	Noted.
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			Again, we highlight that, as all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can be developed.	
3.554.	RPTCL	Q91	We do not consider it appropriate to apply a 'one size fits all' approach to setting the length of the recovery period regarding the level of technical provisions to be covered with financial assets, even at a member state level. An appropriate length of recovery period for a particular IORP should depend on the circumstances of that IORP and its sponsor(s).	Noted.
3.555.	Siemens Pensionsfonds	Q91	The arguments that sponsor money is usually best invested in the own business rather than paid as solvency buffer into the IORP have to be highlighted. This supports an extensive period of time for recovery of any underfunding. Due to the long duration of pension entitlements, an underfunding situation usually does not affect the possibility of the IORP to pay its benefits for a very long period. Thus, long recovery periods can help to define an appropriate recovery plan avoiding pro-cyclical behaviour.	Noted.
3.556.	Society of Pension Professionals	Q91	Do stakeholders think that the recovery period regarding the level of technical provisions to be covered with financial assets should be short or cover an extensive period of time? Please explain. 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	

			<p>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 for individual Member States and their national competent authorities to determine.</p>	Noted.
3.558.	Towers Watson	Q91	<p>Do stakeholders think that the recovery period regarding the level of technical provisions to be covered with financial assets should be short or cover an extensive period of time? Please explain.</p> <p>Occupational pension (pillar II) provision varies hugely from Member State to Member State. In some countries it is non-existent or very limited; usually where there is a significant replacement ratio from State pension (pillar I) provision. In other countries occupational pensions are common. National Competent Authorities and individual Member States are entirely capable of ensuring that adequate funding and protection measures are in place. Consequently, this is a matter that is for individual Member States and their national competent authorities to determine as they consider appropriate.</p>	Noted.
3.559.	United Utilities Group	Q91	Q91: Do stakeholders think that the recovery period regarding the	

			<p>level of technical provisions to be covered with financial assets should be short or cover an extensive period of time? Please explain.</p> <p>This should be specific to the individual circumstances of an IORP and its sponsor(s).</p>	Noted.
3.560.	ZVK-Bau	Q91	<p>Apart from the overall unfitting concept of the HBS for our scheme the answer is « long ». To illustrate this, we would like to explain the mechanism of sponsor support established for our fund: especially paritarian IORPs whose schemes are based on collective bargaining agreements like ours provide a well-balanced security for scheme sponsors (the employers) as well as scheme beneficiaries. The pension promise itself, the conditions to gain a pension, the contribution rate, any raises of latter and even last resort benefit reductions are agreed during collective bargaining processes. They are fixed in the best interest of sponsors and beneficiaries to provide a long-lasting equilibrium between productivity of the sponsors on one side and wage and fringe benefit justice for the beneficiaries on the other side. The powers to fix and – if needed due to cases of distress – adjust these conditions of the schemes stem from the collective bargaining powers of the social partners as laid down in national social and labour law.</p> <p>Within paritarian IORPs every raise of the contribution rate is part of this above mentioned equilibrium: the result of the almost yearly bargaining process between social partners is 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</p>	Noted.

			<p>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. This works for an as long as needed recovery period if necessary.</p>	
3.561.	OPSG	Q92	<p>If the concept of HBS requires the inclusion of all steering instruments, there are no further instruments available for recovery if the funding would be too low. In this case the recovery plan cannot be set up; it is already included in the HBS in the form of the steering instruments available to the IORP. However, if the HBS is not used for pillar 1, as we suggest all along in our response, a recovery period linked to the HBS will become irrelevant.</p> <p>The OPSG considers that it should be a member state option to set the length for the period (i.e. the plan horizon) over which the level of technical provisions should be covered with financial assets, subject perhaps to some overarching principles to be set out in the Directive.</p> <p>Also, once set a recovery period must not be revised, except in extreme circumstances, to avoid putting the IORP in a situation of complacency or uncertainty with regard to fulfilling the agreed recovery plan.</p> <p>Finally, the recovery plan should be subject to prior approval of the supervisor and should take into account the security mechanisms</p>	Noted.

			insofar as the absence thereof should lead to a shorter recovery period.	
3.562.	100 Group of Finance Directors	Q92	<p>Q92: In the stakeholders' view how long should the more extensive recovery period be and should it be restricted to IORPs which dispose of certain security and adjustment mechanisms and/or be subject to prior approval of the national supervisor? 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>This should be specific to the individual circumstances of an IORP and its sponsor(s).</p>	Noted.
3.563.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q92	<p>As a consequence from our answer to Q91, we would call for the length of the whole liability duration.</p> <p>The answer to Q91 was: The arguments presented in 5.114 and 5.86 especially that sponsor money is usually best invested in the own business rather than paid as solvency buffer into the IORP have to be highlighted. This supports an extensive period of time for recovery of any underfunding, which is locally decided (see Q90). Due to the long duration of pension entitlements an underfunding situation usually does not affect the ability of the IORP to pay its benefits for a very</p>	Noted.

			long period. Thus, long recovery periods can help to define an appropriate recovery plan avoiding pro-cyclical behavior. In addition, the volatility associated with a market consistent valuation is another argument for an extensive time period.	
3.564.	ACA	Q92	Flexibility required with approval of national supervisor.	Noted.
3.565.	Actuarial Association of Europe	Q92	We consider that this should be a member state option or, if allowed under social and labour law, be agreed at the level of the pension promise, subject perhaps to some overarching principles to be set out in the Directive. One would not expect a supervisor to approve a very long recovery period in the absence of some security mechanism i.e. strong sponsor support or pension protection scheme.	Noted.
3.566.	AEIP	Q92	<p>AEIP does not believe that the HBS might serve as an adequate tool for prudential supervision.</p> <p>It should neither be used for capital requirements nor as an information tool towards scheme members. If any concrete use for the HBS should be sought, the HBS could possibly have a limited value as a risk management tool. However, it is still too complex for small and medium sized IORPs, and there are less complex (and more efficient) methods that might be used.</p> <p>AEIP answered all questions of the consultation despite of these doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>This is entirely dependent on the specific national set-up and should match the duration of the liabilities, see the answer to Q91.</p>	Noted.

3.567.	Aon Hewitt	Q92	This should be at the discretion of member states, but we would suggest a minimum length of at least 7 or 8 years. We note that the average period in the UK is currently around 8 years; and the minimum period in the US is 7 years. NL pension funds have 15 years to reach long-term targets.	Noted.
3.568.	Association of Pension Lawyers	Q92	<p>4. As above</p> <p>5. If recovery plans can exist, then we would expect a national supervisor to want to see some security mechanism- whether through potential for additional sponsor support or even a pension protection scheme before approval is given. We consider prior approval would be sensible.</p>	Noted.
3.569.	BAPI	Q92	<p>Q92: In the stakeholders' view how long should the more extensive recovery period be and should it be restricted to IORPs which dispose of certain security and adjustment mechanisms and/or be subject to prior approval of the national supervisor? 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</p>	

			<p>for IORPs because we do not.</p> <p>In case of an EU harmonization, we believe an extensive recovery period can be envisaged. There are situations where such long recovery periods are appropriate. In those situations, BAPI believes it would be unfair to force IORPs to shorter periods as this would most probably mean that the sponsor either will need to look for another funding , another funding vehicle or is forced to terminate the pension scheme. On top of the EU harmonized extensive recovery periods, the national supervisor should get enough guarantees and should receive the flexibility to intervene in case of no or weak security/benefit adjustment mechanisms. As explained in the previous questions, BAPI believes the third option is more appropriate.</p>	Noted.
3.570.	Barnett Waddingham LLP	Q92	We believe that any requirements should be set by national regulators who will have an understanding of the appropriate background.	Noted.
3.571.	BASF SE	Q92	An appropriate time period should reflect longer phases of changes in the economic environment. We propose a period oriented on the length of the liability duration. Details should be left to the member states.	Noted.
3.572.	Better Finance	Q92	If a longer period is needed due to the objective reasons, the national supervisory regulator should be involved in a process.	Noted.
3.573.	British Telecommunications plc	Q92	Q92: In the stakeholders' view how long should the more extensive recovery period be and should it be restricted to IORPs which dispose of certain security and adjustment mechanisms and/or be subject to prior approval of the national supervisor? Please explain.	

			This should be specific to the individual circumstances of an IORP and its sponsor(s).	Noted.
3.574.	Compass Group PLC	Q92	<p>Q92: In the stakeholders' view how long should the more extensive recovery period be and should it be restricted to IORPs which dispose of certain security and adjustment mechanisms and/or be subject to prior approval of the national supervisor? Please explain.</p> <p>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</p> <p>This should be specific to the individual circumstances of an IORP and its sponsor(s).</p>	Noted.
3.575.	D & L Scott	Q92	I agree there should be prior approval of the national supervisor, but in the case of the United Kingdom supervisor their approach to the cross-border funding regime required under the IORP Directive has to date been inflexible and unhelpful to the development of well-run cross-border IORPs.	Noted.
3.576.	EEF	Q92	<p>See our response to Q92.</p> <p>Also, we believe that in order to have such flexibility it is appropriate that the exercise of it should be subject to the</p>	Noted.

			oversight of the national supervisor, working to high level principles.	
3.577.	Eversheds LLP	Q92	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We think that it should be left to national regulators to determine the appropriate period of time for recovery period for the level of technical provisions to be covered with financial assets.</p>	Noted.
3.578.	FSUG	Q92	If a longer period is needed due to the objective reasons, the national supervisory regulator should be involved in a process.	Noted.
3.579.	FVPK	Q92	<p>In the stakeholders' view how long should the more extensive recovery period be and should it be restricted to IORPs which dispose of certain security and adjustment mechanisms and/or be subject to prior approval of the national supervisor? Please explain.</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p> <p>FVPK thinks of recovery periods for Austrian IORPs of 15 years and longer with no restrictions. For the explanation see answer to Q91.</p>	Noted.

3.580.	GDV	Q92	<p>In the stakeholders' view how long should the more extensive recovery period be and should it be restricted to IORPs which dispose of certain security and adjustment mechanisms and/or be subject to prior approval of the national supervisor? Please explain.</p> <p>Due to the differences in pension schemes across Member States the design of recovery plans should be determined by the competent authorities. However, public transparency is necessary in order to avoid possible arbitrage.</p>	Noted.
3.582.	Heathrow Airport Limited	Q92	<p>Q92: In the stakeholders' view how long should the more extensive recovery period be and should it be restricted to IORPs which dispose of certain security and adjustment mechanisms and/or be subject to prior approval of the national supervisor? 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>This should be specific to the individual circumstances of an IORP and its sponsor(s).</p>	Noted.
3.583.	Hoechst-Gruppe VVaG	Q92	<p>As a consequence from our answer to Q91, we would call for the length of the whole liability duration.</p>	Noted.

			<p>The answer to Q91 was:</p> <p>The arguments presented in 5.114 and 5.86 especially that sponsor money is usually best invested in the own business rather than paid as solvency buffer into the IORP have to be highlighted. This supports an extensive period of time for recovery of any underfunding, which is locally decided (see Q90). Due to the long duration of pension entitlements an underfunding situation usually does not affect the ability of the IORP to pay its benefits for a very long period. Thus, long recovery periods can help to define an appropriate recovery plan avoiding pro-cyclical behavior. In addition, the volatility associated with a market consistent valuation is another argument for an extensive time period.</p>	
3.584.	IFoA	Q92	The IFoA considers that national supervisors should give guidance on the approach to be used.	Noted.
3.585.	IVS	Q92	The period should take the duration of the liabilities into account. For pension plans this would imply an extensive period of time (e.g. if the duration was 15 years a range from 10 to 15 years may seem reasonable). The recovery period should be anyhow subject to possible extension by the national supervisor in extreme economic circumstances. The recovery period should also depend on the existence of a security or adjustment mechanism, which would reflect the different needs of coverage. Under an appropriately reasonable regime the national competent authorities need not be requested to provide their prior approval.	Noted.
3.586.	Jane Marshall Consulting	Q92	We emphasise once again that member states with substantial IORPS have devised regulatory and legal systems which reflect the national consensus on how risk is shared between sponsors,the	Noted.

			corporate sector, individuals and the taxpayer. How they do that is up to them.	
3.587.	NAPF	Q92	<p>Q92: In the stakeholders' view how long should the more extensive recovery period be and should it be restricted to IORPs which dispose of certain security and adjustment mechanisms and/or be subject to prior approval of the national supervisor? 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>Regulatory approval for recovery plans is essential in order to ensure members' benefits are well protected.</p>	Noted.
3.590.	Pensioenfederatie	Q92	<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>Again, this is entirely dependent on the specific national set-up, see</p>	Noted.

			the answer to Q.91. As all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can be developed.	
3.591.	PensionsEurope	Q92	<p>In the stakeholders' view how long should the more extensive recovery period be and should it be restricted to IORPs which dispose of certain security and adjustment mechanisms and/or be subject to prior approval of the national supervisor? 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>Again, this is entirely dependent on the specific national set-up. It should be a Member State decision to set the length of the recovery period.</p> <p>PensionsEurope notes that regulatory approval for recovery plans is essential in order to ensure members' benefits are well protected.</p> <p>Furthermore, as all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can be developed.</p>	Noted.

3.594.	RPTCL	Q92	<p>We would not consider it appropriate to prescribe the length of an extensive recovery plan period without knowing the individual circumstances. An appropriate length should be left to the IORP to agree this with sponsors, with appropriate powers for the national supervisor to oversee the suitability of the recovery period length and intervene where it deems it necessary.</p>	Noted.
3.595.	Society of Pension Professionals	Q92	<p>In the stakeholders' view how long should the more extensive recovery period be and should it be restricted to IORPs which dispose of certain security and adjustment mechanisms and/or be subject to prior approval of the national supervisor? 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>	Noted.

			This is for individual Member States and their national competent authorities to determine.	
3.597.	Towers Watson	Q92	<p>In the stakeholders' view how long should the more extensive recovery period be and should it be restricted to IORPs which dispose of certain security and adjustment mechanisms and/or be subject to prior approval of the national supervisor? Please explain.</p> <p>Occupational pension (pillar II) provision varies hugely from Member State to Member State. In some countries it is non-existent or very limited; usually where there is a significant replacement ratio from State pension (pillar I) provision. In other countries occupational pensions are common. National Competent Authorities and individual Member States are entirely capable of ensuring that adequate funding and protection measures are in place. Consequently, this is a matter that is for individual Member States and their national competent authorities to determine as they consider appropriate.</p>	Noted.
3.598.	United Utilities Group	Q92	<p>Q92: In the stakeholders' view how long should the more extensive recovery period be and should it be restricted to IORPs which dispose of certain security and adjustment mechanisms and/or be subject to prior approval of the national supervisor? Please explain.</p> <p>This should be specific to the individual circumstances of an IORP and its sponsor(s).</p>	Noted.
3.599.	ZVK-Bau	Q92	As explained in our answer to Q91 the duration of the liabilities should be regarded as appropriate.	Noted.
3.600.	OPSG	Q93	If the concept of HBS requires the inclusion of all steering instruments, there are no further instruments available for recovery	

			<p>if the funding would be too low. In this case the recovery plan cannot be set up; it is already included in the HBS in the form of the steering instruments available to the IORP.</p> <p>If the HBS were to be used for pillar 1, the OPSG would like to restate though, that the concept of the HBS, requiring inclusion of all steering instruments (and thus the recovery plan) in the balance sheet and not allowing for projections/simulations, cannot be combined with the concept of SCR.</p> <p>There is scope for harmonised principles on the recovery period for the sake of the protection of the beneficiaries, to the extent that a recovery period is useful, which the OPSG doubts as stated before. Such harmonisation will permit a fair establishment of cross-border IORPs as opposed to regulatory arbitrage with IORPs moving to countries applying lower requirements (race to the bottom). In addition, as the SCR is the required capital derived from a prudential framework based on harmonisation at EU level, it would be logical to allow for harmonised principles on the recovery period.</p> <p>On balance, the OPSG considers that it should be a member state option to set the length for the period (i.e. the plan horizon) for meeting the SCR, subject perhaps to some overarching principles to be set out in the Directive.</p>	Noted.
3.601.	100 Group of Finance Directors	Q93	Q93: Do stakeholders believe that there is scope for harmonising the recovery period for meeting the SCR on the EU level? Please explain.	

			<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 do not believe that the case for an EU-level SCR has made. Any SCR (and therefore any associated recovery period) should be specified at member state level.</p>	Noted.
3.602.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q93	<p>No, there is no need for harmonising recovery periods (see Q90).</p> <p>The answer to Q90 was: We doubt that harmonising would be appropriate especially in option 1 with short recovery periods (see Q91). Even if the recovery period was longer, harmonization would not be sensible because of the big differences between IORP systems and in particular the security mechanisms anchored in national social and labour law. Leaving it to the discretion of Member States is the best approach, because this way the duration of the liabilities can be taken into account.</p>	Noted.
3.603.	ACA	Q93	Flexibility required with approval of national supervisor.	Noted.
3.604.	Actuarial Association of Europe	Q93	We consider that this should be an IORP specific or member state option or, if allowed under social and labour law, be agreed at the level of the pension promise, subject perhaps to some overarching	Noted.

			principles to be set out in the Directive.	
3.605.	AEIP	Q93	No. We would like to note that we think that the SCR is not compatible with the HBS. Furthermore since recovery periods are integral parts of national pension systems there is no scope for harmonisation on EU level.	Noted.
3.606.	AGV Chemie	Q93	No, there is no need to harmonising recovery periods (see Q90).	Noted.
3.607.	Aon Hewitt	Q93	No. Pension schemes vary enormously across the EEA, and their relative importance to members also varies (depending on the level of state and other mandatory plans). Therefore, we do not think recovery periods should be harmonised given the lack of harmony in other areas.	Noted.
3.608.	Association of Pension Lawyers	Q93	In addition, we do not consider that HBS should be used for Pillar 1 purposes and therefore for the concept of SCR.	Noted.
3.609.	BAPI	Q93	<p>Q93: Do stakeholders believe that there is scope for harmonizing the recovery period for meeting the SCR on the EU level? 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</p>	

			<p>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 there is no need to harmonize recovery periods for SCR. This would disturb pension systems in some Member States and might highly impact the IORP stakeholders, mainly sponsors and members and beneficiaries.</p>	Noted.
3.610.	Barnett Waddingham LLP	Q93	We believe that any requirements should be set by national regulators who will have an understanding of the appropriate background.	Noted.
3.611.	BASF SE	Q93	No. There is no need to harmonise them. (See Q90, Q91)	Noted.
3.612.	BDA	Q93	No, there is no need to harmonising recovery periods (see Q90).	Noted.
3.613.	Better Finance	Q93	See response in Q90	
3.614.	British Telecommunications plc	Q93	<p>Q93: Do stakeholders believe that there is scope for harmonising the recovery period for meeting the SCR on the EU level? Please explain.</p> <p>No compelling case has been made for an EU-level SCR. Were there to be an SCR (and therefore any associated recovery period), this should be specified at member state level.</p>	Noted.
3.615.	Compass Group PLC	Q93	Q93: Do stakeholders believe that there is scope for harmonising the recovery period for meeting the SCR on the EU level? Please explain.	

			<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 do not believe that the case for an EU-level SCR has made. Any SCR (and therefore any associated recovery period) should be specified at member state level.</p>	Noted.
3.616.	D & L Scott	Q93	No. My earlier answer to Q90 applies.	Noted.
3.617.	EAPSPI	Q93	EAPSPI is of the opinion that there is no need for harmonizing the recovery period (for meeting the SCR or the technical provisions) as this is best regulated on national grounds given the national requirements with respect to calculating liabilities. Due to the long-term nature of pensions it is absolutely necessary to have long recovery periods: The principle should be that the length of the recovery period should be suited to the duration of the liabilities.	Noted.
3.618.	Eversheds LLP	Q93	Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.	Noted.

			No. Harmonised recovery periods would not be appropriate given that there are such major differences between national pension systems and the IORPs within those systems. Instead, it should be left to national regulators to determine the appropriate recovery periods for IORPs within their jurisdiction.	
3.619.	Evonik Industries AG	Q93	No, there is no need to harmonising recovery periods (see Q90).	Noted.
3.620.	FFSA	Q93	Yes. Same protection for all beneficiaries. Supervisory actions should be comparable across member states in order to ensure high level of protection of members and beneficiaries and avoid regulatory arbitrage and unlevel playing field.	Noted.
3.621.	FSUG	Q93	See response in Q90	Noted.
3.622.	GDV	Q93	<p>Do stakeholders believe that there is scope for harmonising the recovery period for meeting the SCR on the EU level? Please explain.</p> <p>Due to the differences in pension schemes across Member States the design of recovery plans should be determined by the competent authorities. However, public transparency is necessary in order to avoid possible arbitrage.</p>	Noted.
3.624.	Heathrow Airport Limited	Q93	<p>Q93: Do stakeholders believe that there is scope for harmonising the recovery period for meeting the SCR on the EU level? 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</p>	

			<p>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 believe that the case for an EU-level SCR has made. Any SCR (and therefore any associated recovery period) should be specified at member state level.</p>	Noted.
3.625.	Hoechst-Gruppe VVaG	Q93	<p>No, there is no need for harmonising recovery periods (see Q90).</p> <p>The answer to Q90 was:</p> <p>We doubt that harmonising would be appropriate especially in option 1 with short recovery periods (see Q91). Even if the recovery period was longer, harmonization would not be sensible because of the big differences between IORP systems and in particular the security mechanisms anchored in national social and labour law. Leaving it to the discretion of Member States is the best approach, because this way the duration of the liabilities can be taken into account.</p>	Noted.
3.626.	IFoA	Q93	The IFoA considers that national supervisors should give guidance on the approach to be used.	Noted.
3.627.	IVS	Q93	No. Although identical principles for a recovery period seem sensible at an EU-level, these would not necessarily translate into identical EU-wide recovery periods for meeting SCR requirements. Existing national differences in the characteristics of pension systems and, in particular, the historically used methods cannot simply be ignored in transitioning accrued past service liabilities.	Noted.

3.628.	Jane Marshall Consulting	Q93	No. We emphasise once again that member states with substantial IORPS have devised regulatory and legal systems which reflect the national consensus on how risk is shared between sponsors, the corporate sector, individuals and the taxpayer. How they do that is up to them.	Noted.
3.629.	NAPF	Q93	<p>Q93: Do stakeholders believe that there is scope for harmonising the recovery period for meeting the SCR on the EU level? 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>This should be a matter for determination at national level.</p>	Noted.
3.632.	Otto Group	Q93	No, there is no need to harmonising recovery periods (see Q90).	Noted.
3.633.	Pensioenfederatie	Q93	<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 like to note that we think that the SCR is not compatible with the HBS. As all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can be developed.</p>	<p>Noted.</p>
3.634.	PensionsEurope	Q93	<p>Do stakeholders believe that there is scope for harmonising the recovery period for meeting the SCR on the EU level? 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>No, there is no need to harmonising recovery periods for meeting SCR. Since national pension systems are very different across Member States, harmonizing recovery periods for meeting SCR would disrupt one or more of these systems.</p> <p>We would like to note that we think that the SCR is not compatible with the HBS. As all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can be developed.</p>	<p>Noted.</p>

3.637.	RPTCL	Q93	We do not consider it appropriate to harmonise the recovery period for meeting the SCR at an EU level. Any requirement to meet the SCR and the length of the associated recovery period should be left to the discretion of member states.	Noted.
3.638.	Siemens Pensionsfonds	Q93	No, there is no need to harmonising recovery periods (see Q90).	Noted.
3.639.	Society of Pension Professionals	Q93	<p>Do stakeholders believe that there is scope for harmonising the recovery period for meeting the SCR on the EU level? 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>No. This is for individual Member States and their national competent authorities to determine</p>	Noted.

3.640.	Towers Watson	Q93	<p>Do stakeholders believe that there is scope for harmonising the recovery period for meeting the SCR on the EU level? Please explain.</p> <p>No. Occupational pension (pillar II) provision varies hugely from Member State to Member State. In some countries it is non-existent or very limited; usually where there is a significant replacement ratio from State pension (pillar I) provision. In other countries occupational pensions are common. National Competent Authorities and individual Member States are entirely capable of ensuring that adequate funding and protection measures are in place. Consequently, this is a matter that is for individual Member States and their national competent authorities to determine as they consider appropriate.</p>	Noted.
3.641.	United Utilities Group	Q93	<p>Q93: Do stakeholders believe that there is scope for harmonising the recovery period for meeting the SCR on the EU level? Please explain.</p> <p>We do not believe that the case for an EU-level SCR has made. Any SCR (and therefore any associated recovery period) should be specified at member state level.</p>	Noted.
3.642.	ZVK-Bau	Q93	<p>No. Due to the lack of competition between IORPs we cannot see the necessity for an harmonisation.</p>	Noted.
3.643.	OPSG	Q94	<p>If the concept of HBS requires the inclusion of all steering instruments, there are no further instruments available for recovery if the funding would be too low. In this case the recovery plan cannot be set up; it is already included in the HBS in the form of the steering instruments available to the IORP.</p>	Noted.

			<p>If the HBS were to be used for pillar 1, the OPSG would like to restate though, that the concept of the HBS, requiring inclusion of all steering instruments (and thus the recovery plan) in the balance sheet and not allowing for projections/simulations, cannot be combined with the concept of SCR.</p> <p>To the extent that the EU should set standards for recovery periods, which the OPSG questions, as long as the IORP is able to meet its commitments at the time of pay-out, relatively long recovery periods should be allowed.</p> <p>There is scope for harmonised principles on the recovery period for the sake of the protection of the beneficiaries, to the extent that a recovery period is useful, which the OPSG doubts as stated before. Such harmonisation will permit a fair establishment of cross-border IORPs as opposed to regulatory arbitrage with IORPs moving to countries applying lower requirements (race to the bottom).</p> <p>On balance, the OPSG considers that it should be a member state option to set the length for the period (i.e. the plan horizon) in the event of non-compliance with the SCR, subject perhaps to some overarching principles to be set out in the Directive.</p>	
3.644.	100 Group of Finance Directors	Q94	Q94: In the view of stakeholders should the recovery period in the event of non-compliance with the SCR be short or cover a more extensive period of time? Please explain.	

			<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 do not believe that the case for an EU-level SCR has made. Any SCR (and therefore any associated recovery period) should be specified at member state level.</p>	Noted.
3.645.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q94	<p>It should be extensive. In addition, it should be determined by considering the business needs of the sponsoring employer – see Q91.</p> <p>The answer to Q91 was:</p> <p>The arguments presented in 5.114 and 5.86 especially that sponsor money is usually best invested in the own business rather than paid as solvency buffer into the IORP have to be highlighted. This supports an extensive period of time for recovery of any underfunding, which is locally decided (see Q90). Due to the long duration of pension entitlements an underfunding situation usually does not affect the ability of the IORP to pay its benefits for a very long period. Thus, long recovery periods can help to define an appropriate recovery plan avoiding pro-cyclical behavior. In addition, the volatility associated with a market consistent valuation is another argument for an extensive time period.</p>	Noted.

3.646.	ACA	Q94	Flexibility required with approval of national supervisor.	Noted.
3.647.	Actuarial Association of Europe	Q94	We consider that this should be a member state option or, if allowed under social and labour law, be agreed at the level of the pension promise, subject perhaps to some overarching principles to be set out in the Directive.	Noted.
3.648.	AEIP	Q94	<p>AEIP does not believe that the HBS might serve as an adequate tool for prudential supervision.</p> <p>It should neither be used for capital requirements nor as an information tool towards scheme members. If any concrete use for the HBS should be sought, the HBS could possibly have a limited value as a risk management tool. However, it is still too complex for small and medium sized IORPs, and there are less complex (and more efficient) methods that might be used.</p> <p>AEIP answered all questions of the consultation despite of these doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>We would like to note that we think that the SCR is not compatible with the HBS. But for the sake of the argument: since sponsor money is best invested in the sponsors' business the period should be extensive.</p>	Noted.
3.649.	Aon Hewitt	Q94	A long period should be allowed, subject to the discretion of member states. This would reduce the cash flow burden on sponsors and also allow investment in longer-term assets. We note that US pension schemes allow deficits to be funded over a minimum period of 7 years, and US Congress has granted additional relief due to current low interest rates. Any attempts to	Noted.

			<p>have a shorter period would potentially put sponsors of EEA pensions schemes at a disadvantage compared to US counterparts. It may also discourage US multinationals from investing further in European businesses if faced with higher EEA pension contributions. We would also expect that many more defined benefit schemes would close if deficits needed to be funded over a short period, as sponsors would want to reduce the risk of further cost increases in the future.</p>	
3.650.	BAPI	Q94	<p>Q94: In the view of stakeholders should the recovery period in the event of non-compliance with the SCR be short or cover a more extensive period of time? 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>The length of the recovery period to meet the SCR is not only dependent on the broader context within a Member State but also</p>	<p>Noted.</p>

			depends on the type of business and the business plan of the sponsor. Can we ask a sponsor to skip an important investment to use the financial resources to cover the SCR knowing this might jeopardize the long term sustainability of the sponsor's business and as such the retirement benefits of the members and beneficiaries?	
3.651.	Barnett Waddingham LLP	Q94	We believe that any requirements should be set by national regulators who will have an understanding of the appropriate background.	Noted.
3.652.	BASF SE	Q94	The recovery period should be determined by considering the business needs of the sponsoring employer and the duration of liabilities. To ensure a close link to the other relevant national provisions, member states should decide on the duration of the recovery period. (See Q91)	Noted.
3.653.	Better Finance	Q94	See response in Q91	Noted.
3.654.	British Telecommunications plc	Q94	Q94: In the view of stakeholders should the recovery period in the event of non-compliance with the SCR be short or cover a more extensive period of time? Please explain. No compelling case has been made for an EU-level SCR. Were there to be an SCR (and therefore any associated recovery period), this should be specified at member state level.	Noted.
3.655.	Compass Group PLC	Q94	Q94: In the view of stakeholders should the recovery period in the event of non-compliance with the SCR be short or cover a more extensive period of time? Please explain.	

			<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 do not believe that the case for an EU-level SCR has made. Any SCR (and therefore any associated recovery period) should be specified at member state level.</p>	Noted.
3.656.	D & L Scott	Q94	Non-compliance with the SCR is the norm rather than the exception here in the United Kingdom. This seems to support a range of recovery periods to be assessed on an IORP-specific basis rather than with an inflexible «short» or potentially imprudent «more extensive» time period.	Noted.
3.657.	EAPSPI	Q94	Due to the long-term nature of pensions it is absolutely necessary to have long recovery periods for the SCR: The principle should be that the length of the recovery period should be suited to the duration of the liabilities and this should also be relevant for the SCR as a long term cushion or, as formulated by EIOPA, as "longer-term" capital requirement.	Noted.
3.658.	Eversheds LLP	Q94	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 think that it should be left to national regulators to determine the appropriate period of time for recovery period in the event of non-compliance with the SCR.	Noted.
3.659.	FSUG	Q94	See response in Q91	Noted.
3.660.	FVPK	Q94	<p>In the view of stakeholders should the recovery period in the event of non-compliance with the SCR be short or cover a more extensive period of time? Please explain.</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p> <p>FVPK is in favour of longer recovery periods in Austria as this is much more consistent with the structure of benefit payments (which are pure DC) and allows to continue the main part of the business also if there is an underfunding for the optional additional guarantees. Long recovery periods avoid the strange situation that an IORP which does a very good management of the dedicated funds (which are pure DC) but has a temporary bad management of the small part of optional additional guarantees has to end it's business in a short time.</p>	Noted.

3.661.	GDV	Q94	<p>In the view of stakeholders should the recovery period in the event of non-compliance with the SCR be short or cover a more extensive period of time? Please explain.</p> <p>Due to the differences in pension schemes across Member States the design of recovery plans should be determined by the competent authorities. However, due to the long term nature of IOPRs' liabilities a recovery period for the compliance with the SCR should be longer than one year.</p>	Noted.
3.663.	Heathrow Airport Limited	Q94	<p>Q94: In the view of stakeholders should the recovery period in the event of non-compliance with the SCR be short or cover a more extensive period of time? 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>We do not believe that the case for an EU-level SCR has made. Any SCR (and therefore any associated recovery period) should be specified at member state level.</p>	Noted.
3.664.	Hoechst-Gruppe VVaG	Q94	It should be extensive. In addition, it should be determined by considering the business needs of the sponsoring employer – see Q91.	Noted.

			<p>The answer to Q91 was:</p> <p>The arguments presented in 5.114 and 5.86 especially that sponsor money is usually best invested in the own business rather than paid as solvency buffer into the IORP have to be highlighted. This supports an extensive period of time for recovery of any underfunding, which is locally decided (see Q90). Due to the long duration of pension entitlements an underfunding situation usually does not affect the ability of the IORP to pay its benefits for a very long period. Thus, long recovery periods can help to define an appropriate recovery plan avoiding pro-cyclical behavior. In addition, the volatility associated with a market consistent valuation is another argument for an extensive time period.</p>	
3.665.	IFoA	Q94	The IFoA considers that national supervisors should give guidance on the approach to be used.	Noted.
3.666.	IVS	Q94	The period should be extensive and take account of the national characteristics of a member state's IORPs and, in particular, the historically used methods cannot simply be ignored in transitioning accrued past service liabilities. The volatility of the market value of assets shouldn't lead to short-term contributions by the plan sponsors. Especially in times of an financial hardship, a short period would lock up money that could be better used to strengthen the business/economy. The period should take the duration of the liabilities into account. The period for covering the SCR should be longer than for the technical provisions. We agree with EIOPA's statement in par. 5.125 that the rationale given for shorter recovery periods does not apply in case of the existence of a PPS.	Noted.
3.667.	Jane Marshall	Q94	We emphasise once again that member states with substantial	Noted.

	Consulting		IORPS have devised regulatory and legal systems which reflect the national consensus on how risk is shared between sponsors, the corporate sector, individuals and the taxpayer. How they do that is up to them.	
3.668.	NAPF	Q94	<p>Q94: In the view of stakeholders should the recovery period in the event of non-compliance with the SCR be short or cover a more extensive period of time? 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>This should be a matter for determination at national level.</p>	Noted.
3.671.	Pensioenfederatie	Q94	<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 like to note that we think that the SCR is not compatible</p>	Noted.

			with the HBS. As all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can be developed.	
3.672.	PensionsEurope	Q94	<p>In the view of stakeholders should the recovery period in the event of non-compliance with the SCR be short or cover a more extensive period of time? 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>We would like to note that we think that the SCR is not compatible with the HBS. As all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can be developed.</p> <p>If SCR were to be introduced, the length of the recovery period to meet those SCR should be decided at Member State level. PensionsEurope also highlights it should be determined by considering the business needs of the sponsoring employer.</p>	Noted.
3.675.	RPTCL	Q94	As per our response to Q93, we believe that any requirement to meet the SCR and the length of the associated recovery period	Noted.

			<p>should be left to the discretion of member states. Therefore, if a member state does not apply an SCR, non-compliance with the SCR becomes irrelevant. Consequently, it should be left to national supervisory bodies to determine the approach to non-compliance with the SCR.</p>	
3.676.	Society of Pension Professionals	Q94	<p>In the view of stakeholders should the recovery period in the event of non-compliance with the SCR be short or cover a more extensive period of time? 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>This is for individual Member States and their national competent authorities to determine</p>	Noted.

3.677.	Towers Watson	Q94	<p>In the view of stakeholders should the recovery period in the event of non-compliance with the SCR be short or cover a more extensive period of time? Please explain.</p> <p>Occupational pension (pillar II) provision varies hugely from Member State to Member State. In some countries it is non-existent or very limited; usually where there is a significant replacement ratio from State pension (pillar I) provision. In other countries occupational pensions are common. National Competent Authorities and individual Member States are entirely capable of ensuring that adequate funding and protection measures are in place. Consequently, this is a matter that is for individual Member States and their national competent authorities to determine as they consider appropriate.</p>	Noted.
3.678.	United Utilities Group	Q94	<p>Q94: In the view of stakeholders should the recovery period in the event of non-compliance with the SCR be short or cover a more extensive period of time? Please explain.</p> <p>We do not believe that the case for an EU-level SCR has made. Any SCR (and therefore any associated recovery period) should be specified at member state level.</p>	Noted.
3.679.	ZVK-Bau	Q94	There is no reason against an extensive recovery period.	Noted.
3.680.	OPSG	Q95	If the concept of HBS requires the inclusion of all steering instruments, there are no further instruments available for recovery if the funding would be too low. In this case the recovery plan cannot be set up; it is already included in the HBS in the form of the steering instruments available to the IORP.	

		<p>There is scope for harmonised principles on the recovery period for the sake of the protection of the beneficiaries, to the extent that a recovery period is useful, which the OPSG doubts as stated before. Such harmonisation will permit a fair establishment of cross-border IORPs as opposed to regulatory arbitrage with IORPs moving to countries applying lower requirements (race to the bottom).</p> <p>To the extent that the EU should set standards for recovery periods, which the OPSG questions, the recovery period in the case of the SCR should be longer than the one set for Technical Provisions owing to the fact that a breach of the SCR does not result in an immediate threat for Technical Provisions, so that members and beneficiaries are still protected.</p> <p>Also, once set a recovery period must not be revised, except in extreme circumstances, to avoid putting the IORP in a situation of complacency or uncertainty with regards to fulfilling the agreed recovery plan.</p> <p>Finally, the recovery plan should be subject to prior approval of the supervisor and should take into account the security mechanisms insofar as the absence thereof should lead to a shorter recovery period.</p> <p>On balance, the OPSG considers that it should be a member state option to set the length for the period (i.e. the plan horizon) in the event of non-compliance with the SCR, subject perhaps to some overarching principles to be set out in the Directive.</p>	<p>Noted.</p>
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3.681.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q95	<p>See Q91 and Q92</p> <p>The answers to Q91 and Q92 were:</p> <p>Q91: The arguments presented in 5.114 and 5.86 especially that sponsor money is usually best invested in the own business rather than paid as solvency buffer into the IORP have to be highlighted. This supports an extensive period of time for recovery of any underfunding, which is locally decided (see Q90). Due to the long duration of pension entitlements an underfunding situation usually does not affect the ability of the IORP to pay its benefits for a very long period. Thus, long recovery periods can help to define an appropriate recovery plan avoiding pro-cyclical behavior. In addition, the volatility associated with a market consistent valuation is another argument for an extensive time period.</p> <p>Q92: As a consequence from our answer to Q91, we would call for the length of the whole liability duration.</p>	
3.682.	ACA	Q95	Flexibility required with approval of national supervisor.	Noted.
3.683.	Actuarial Association of Europe	Q95	We consider that this should be a member state option or, if allowed under social and labour law, be agreed at the level of the pension promise, subject perhaps to some overarching principles to be set out in the Directive. One would not expect a supervisor to approve a very long recovery period in the absence of some security mechanism i.e. strong sponsor support or pension protection scheme.	Noted.
3.684.	AEIP	Q95	AEIP does not believe that the HBS might serve as an adequate tool for prudential supervision.	

			<p>It should neither be used for capital requirements nor as an information tool towards scheme members. If any concrete use for the HBS should be sought, the HBS could possibly have a limited value as a risk management tool. However, it is still too complex for small and medium sized IORPs, and there are less complex (and more efficient) methods that might be used.</p> <p>AEIP answered all questions of the consultation despite of these doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>We would like to note that we think that the SCR is not compatible with the HBS. The recovery period should match the duration of the liabilities too.</p>	Noted.
3.685.	Aon Hewitt	Q95	<p>This should be at the discretion of member states, but we would suggest a minimum length of at least 7 or 8 years. We note that the average period in the UK is currently around 8 years; and the minimum period in the US is 7 years. NL pension funds have 15 years to reach long-term targets.</p>	Noted.
3.686.	BAPI	Q95	<p>Q95: In the view of stakeholders how long should the more extensive recovery period be and should it be restricted to IORPs which dispose of certain security and adjustment mechanisms and/or be subject to prior approval of the national supervisor? 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</p>	

			<p>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 length of the more extensive recovery period to meet the SCR is not only dependent on the broader context within a Member State but also depends on the type of business and the business plan of the sponsor. Can we ask a sponsor to skip an important investment to use the financial resources to cover the SCR knowing this might jeopardize the long term sustainability of the sponsor's business and as such the retirement benefits of the members and beneficiaries?</p>	Noted.
3.687.	Barnett Waddingham LLP	Q95	We believe that any requirements should be set by national regulators who will have an understanding of the appropriate background.	Noted.
3.688.	BASF SE	Q95	See Q91 and Q92.	Noted.
3.689.	Better Finance	Q95	See response in Q92	Noted.
3.690.	British Telecommunications plc	Q95		

3.691.	Compass Group PLC	Q95	Q95: In the view of stakeholders how long should the more extensive recovery period be and should it be restricted to IORPs which dispose of certain security and adjustment mechanisms and/or be subject to prior approval of the national supervisor? Please explain.	
3.692.	D & L Scott	Q95	My answer to Q92 applies. Trustees should have a «complete financial management plan» for addressing the requirement to meet the SCR over an extensive period.	Noted.
3.693.	EAPSPI	Q95	Due to the long-term nature of pensions it is absolutely necessary to have long recovery periods: The principle should be that the length of the recovery period should be suited to the duration of the liabilities and this should also be relevant for the SCR as long term cushion or, as formulated by EIOPA, as a “longer-term” capital requirement.	Noted.
3.694.	Eversheds LLP	Q95	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 think that it should be left to national regulators to determine the appropriate period of time for recovery period in the event of non-compliance with the SCR.	Noted.
3.695.	FSUG	Q95	See response in Q92	Noted.
3.696.	FVPK	Q95	In the view of stakeholders how long should the more extensive recovery period be and should it be restricted to IORPs which	

			<p>dispose of certain security and adjustment mechanisms and/or be subject to prior approval of the national supervisor? Please explain.</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p> <p>FVPK thinks of recovery periods for Austrian IORPs of 15 years and longer with no restrictions. For the explanation see answer to Q94.</p>	Noted.
3.697.	GDV	Q95	<p>In the view of stakeholders how long should the more extensive recovery period be and should it be restricted to IORPs which dispose of certain security and adjustment mechanisms and/or be subject to prior approval of the national supervisor? Please explain.</p> <p>Due to the differences in pension schemes across Member States the design of recovery plans should be determined by the competent authorities. However, due to the long term nature of IOPRs' liabilities a recovery period for the compliance with the SCR should be longer than one year.</p>	Noted.
3.699.	Heathrow Airport Limited	Q95	<p>Q95: In the view of stakeholders how long should the more extensive recovery period be and should it be restricted to IORPs which dispose of certain security and adjustment mechanisms and/or be subject to prior approval of the national supervisor? Please explain.</p>	

3.700.	Hoechst-Gruppe VVaG	Q95	<p>See Q91 and Q92</p> <p>The answers to Q91 and Q92 were:</p> <p>Q91: The arguments presented in 5.114 and 5.86 especially that sponsor money is usually best invested in the own business rather than paid as solvency buffer into the IORP have to be highlighted. This supports an extensive period of time for recovery of any underfunding, which is locally decided (see Q90). Due to the long duration of pension entitlements an underfunding situation usually does not affect the ability of the IORP to pay its benefits for a very long period. Thus, long recovery periods can help to define an appropriate recovery plan avoiding pro-cyclical behavior. In addition, the volatility associated with a market consistent valuation is another argument for an extensive time period.</p> <p>Q92: As a consequence from our answer to Q91, we would call for the length of the whole liability duration.</p>	Noted.
3.701.	IFoA	Q95	The IFoA considers that national supervisors should give guidance on the approach to be used.	Noted.
3.702.	IVS	Q95	<p>One of the impediments against fair competition under IORP I was that particular national competent authorities could “market” recovery periods that were longer than in other countries.</p> <p>So a common approach (!) not a common recovery period in absolute terms i.e. expressed in years (!) makes good sense from a regulatory point of view. Having said that, reality needs to be taken</p>	Noted.

			<p>into account too.</p> <p>To be clear: identical EU-wide specifications for an identical recovery period (e.g. expressed in years) for meeting SCR requirements are not suitable, because of national differences in the pension systems and, in particular, their history. These characteristics and their history cannot simply be ignored.</p> <p>The period itself should be extensive and take account of the national characteristics of a nation's IORPs and, in particular, their history. These characteristics and their history cannot simply be ignored. The volatility of the market value of assets shouldn't lead to short-term additional contributions by the plan sponsors. Especially in times of financial hardship, a short period would lock up money that could be better used to strengthen the business/economy. The period should take the duration of the liabilities into account. The period for covering the SCR should be longer than for the technical provisions.</p> <p>If there are special issues of a general nature in one or more member states, then an (ex-ante) regulation needs to be flexible enough for policy-setter to act appropriately in the interests of the stakeholders of an IORP.</p>	
3.703.	Jane Marshall Consulting	Q95	<p>We emphasise once again that member states with substantial IORPS have devised regulatory and legal systems which reflect the national consensus on how risk is shared between sponsors, the corporate sector, individuals and the taxpayer. How they do that is up to them.</p>	Noted.
3.704.	NAPF	Q95	<p>Q95: In the view of stakeholders how long should the more extensive recovery period be and should it be restricted to IORPs which dispose of certain security and adjustment mechanisms and/or be subject to prior approval of the national supervisor?</p>	

			<p>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>This should be a matter for determination at national level.</p>	Noted.
3.707.	Pensioenfederatie	Q95	<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 like to note that we think that the SCR is not compatible with the HBS . As all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can be developed.</p>	Noted.
3.708.	PensionsEurope	Q95	<p>In the view of stakeholders how long should the more extensive recovery period be and should it be restricted to IORPs which dispose of certain security and adjustment mechanisms and/or be</p>	

			<p>subject to prior approval of the national supervisor? 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>We would like to note that we think that the SCR is not compatible with the HBS. As all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can be developed.</p> <p>If SCR were to be introduced, the length of the recovery period to meet those SCR should be decided at Member State level. PensionsEurope also highlights it should be determined by considering the business needs of the sponsoring employer.</p>	Noted.
3.711.	RPTCL	Q95	<p>As per our response to Q93 and Q94, we believe that any requirement to meet the SCR and the length of the associated recovery period should be left to the discretion of member states. Therefore, if a member state does not apply an SCR, non-compliance with the SCR becomes irrelevant. Consequently, it should be left to national supervisory bodies to determine the approach to the length of the SCR recovery period and the types of IORP it applies to.</p>	Noted.

3.712.	Society of Pension Professionals	Q95	<p>In the view of stakeholders how long should the more extensive recovery period be and should it be restricted to IORPs which dispose of certain security and adjustment mechanisms and/or be subject to prior approval of the national supervisor? 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>This is for individual Member States and their national competent authorities to determine</p>	Noted.
3.713.	Towers Watson	Q95	<p>In the view of stakeholders how long should the more extensive recovery period be and should it be restricted to IORPs which dispose of certain security and adjustment mechanisms and/or be subject to prior approval of the national supervisor? Please explain.</p>	

			Occupational pension (pillar II) provision varies hugely from Member State to Member State. In some countries it is non-existent or very limited; usually where there is a significant replacement ratio from State pension (pillar I) provision. In other countries occupational pensions are common. National Competent Authorities and individual Member States are entirely capable of ensuring that adequate funding and protection measures are in place. Consequently, this is a matter that is for individual Member States and their national competent authorities to determine as they consider appropriate.	Noted.
3.714.	United Utilities Group	Q95	Q95: In the view of stakeholders how long should the more extensive recovery period be and should it be restricted to IORPs which dispose of certain security and adjustment mechanisms and/or be subject to prior approval of the national supervisor? Please explain.	
3.715.	ZVK-Bau	Q95	Apart from the overall unfitting concept of the HBS for our scheme the we think that regardless of the IORP's security and adjustment mechanisms the recovery period should match the duration of the liabilities. We consider this as « extensive ».	Noted.
3.716.	OPSG	Q96	If the concept of HBS requires the inclusion of all steering instruments, there are no further instruments available for recovery if the funding would be too low. In this case the recovery plan cannot be set up; it is already included in the HBS in the form of the steering instruments available to the IORP. However, if the HBS is not used for pillar 1, as we suggest all along in our response, a recovery period linked to the HBS will become irrelevant.	

			As noted in 5.132, there are many components which could be included in a recovery plan, and consequently the OPSG is of the view that it should be a member state option to determine the content of the recovery plan, subject perhaps to some overarching principles to be set out in the Directive. In practice, the process would involve dialogue between the IORP and the supervisor as solutions would depend on the circumstances (e.g. the size of the shortfall, its cause, its potential duration, etc.).	Noted.
3.717.	100 Group of Finance Directors	Q96	<p>Q96: Do stakeholders agree that IORPs should be required to submit a recovery plan if capital/funding requirements are not met or should more specific supervisory responses be specified on the EU level? 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>Under existing legislation, IORPs are required to submit a recovery plan where funding requirements are not met. We believe that this should continue to be the case and that no further supervisory responses should be specified at an EU level..</p>	Noted.
3.718.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q96	We support the approach of submitting a recovery plan. However, we would like to emphasise that because of the relevance of national social and labour law and their differences, there should be no specific measures taken at the EU level.	Noted.

3.719.	ACA	Q96	Any supervisory responses specified at the EU level should be purely principles based ; the detail of how supervisory responses will be implemented should be determined by the national supervisor.	Noted.
3.720.	Actuarial Association of Europe	Q96	We agree that the supervisor should require a recovery plan to be put in place, and that this must be approved by the supervisor on a MS basis. We do not think it is practical to define specific supervisory responses at the EU level.	Noted.
3.721.	AEIP	Q96	No. We would like to note that we think that the SCR is not compatible with the HBS. As all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can be developed.	Noted.
3.722.	ALSTOM	Q96	<p>Q96: Do stakeholders agree that IORPs should be required to submit a recovery plan if capital/funding requirements are not met or should more specific supervisory responses be specified on the EU level? Please explain.</p> <p>The detail of how supervisory responses will be implemented (which may include, but is not limited to, submitting a recovery plan) should be determined by the relevant national supervisor. More detailed action should not be specified at an EU level as a one-size-fits all supervisory response is unlikely to capture all of the key variables of the local environment in which IORPS operate</p>	Noted.
3.723.	Aon Hewitt	Q96	Yes – we see no problem with IORPS submitting a recovery plan if funding requirements are not met. This works well in many states including the UK and the Netherlands at the moment. We see no	Noted.

			need for additional EU responses, other than in respect of states that do not currently require recovery plans. However, we think that the EU then needs to find a way of dealing with states that do not require plans, rather than impose additional burdens on those that do.	
3.724.	Association of Pension Lawyers	Q96	We think it should be open for member states to have specific supervisory responses at member state level.	Noted.
3.726.	Atradius Credit Insurance NV	Q96	Any requirements set at an EU level on supervisory responses should be purely principles-based. The detail of how supervisory responses will be implemented (which may include, but is not limited to, submitting a recovery plan) should be determined by the relevant national supervisor. More detailed action should not be specified at an EU level as a one-size-fits all supervisory response is unlikely to capture all of the key variables of the local environment in which IORPS operate.	Noted.
3.727.	BAPI	Q96	<p>Q96: Do stakeholders agree that IORPs should be required to submit a recovery plan if capital/funding requirements are not met or should more specific supervisory responses be specified on the EU level? 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</p>	

			<p>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>BAPI emphasizes there is no need to specify specific supervisory responses at EU level. Given the diversity not only in the organization of occupational pensions but also in the broader context, supervisory actions should be determined by the local competent authorities.</p>	Noted.
3.728.	Barnett Waddingham LLP	Q96	We believe that any requirements should be set by national regulators who will have an understanding of the appropriate background.	Noted.
3.729.	BASF SE	Q96	We support the approach of submitting a recovery plan. There should be no specific measures taken at the EU level.	Noted.
3.730.	Better Finance	Q96	Agree. National supervisors should play a role in this process. EU-wide regulation should place general rules and processes.	Noted.
3.732.	British Telecommunications plc	Q96	Q96: Do stakeholders agree that IORPs should be required to submit a recovery plan if capital/funding requirements are not met or should more specific supervisory responses be specified on the EU level? Please explain.	

			<p>The detail of how supervisory responses will be implemented (which may include, but is not limited to, submitting a recovery plan) should be determined by the relevant national supervisor. More detailed action should not be specified at an EU level as a one-size-fits-all supervisory response is unlikely to capture all of the key variables of the local environment in which IORPS operate.</p>	Noted.
3.733.	Candriam	Q96	<p>Do stakeholders agree that IORPs should be required to submit a recovery plan if capital/funding requirements are not met or should more specific supervisory responses be specified on the EU level? Please explain.</p> <p>When funding requirements are not met, a recovery plan should be prepared, given the broad definition of a recovery plan. However, we are not in favour of basing funding requirements on the HBS. However, we believe supervisory responses should not be specified at EU-level but determined by local regulators in order to fit a local context.</p>	Noted.
3.734.	Compass Group PLC	Q96	<p>Q96: Do stakeholders agree that IORPs should be required to submit a recovery plan if capital/funding requirements are not met or should more specific supervisory responses be specified on the EU level? Please explain.</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.</p>	

			<p>The fact of us answering this question should not be taken as implying our agreement to the overall policy.</p> <p>Under existing legislation, IORPs are required to submit a recovery plan where funding requirements are not met. We believe that this should continue to be the case and that no further supervisory responses should be specified at an EU level..</p>	Noted.
3.735.	D & L Scott	Q96	<p>United Kingdom IORPs already submit a recovery plan to the national supervisor. I do not see a role for supervisory responses at an EU level except through a form of legal appeal if the national supervisor regulates in an inflexible or otherwise inappropriate manner.</p>	Noted.
3.736.	Eversheds LLP	Q96	<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 this is appropriate. Any subsequent supervisory responses should then be determined by national regulators.</p>	Noted.
3.737.	FFSA	Q96	<p>There should be rules given, defined and stated at EU level. Supervisory actions should be comparable across member states in order to ensure high level of protection of members and beneficiaries and avoid regulatory arbitrage and unlevel playing field.</p>	Noted.
3.738.	FSUG	Q96	<p>Agree. National supervisors should play a role in this process. EU-</p>	Noted.

			wide regulation should place general rules and processes.	
3.739.	GDFSUEZ	Q96	<p>Q96: Do stakeholders agree that IORPs should be required to submit a recovery plan if capital/funding requirements are not met or should more specific supervisory responses be specified on the EU level? Please explain.</p> <p>The detail of how supervisory responses will be implemented (which may include, but is not limited to, submitting a recovery plan) should be determined by the relevant national supervisor. More detailed action should not be specified at an EU level as a one-size-fits all supervisory response is unlikely to capture all of the key variables of the local environment in which IORPS operate</p>	Noted.
3.740.	GDV	Q96	<p>Do stakeholders agree that IORPs should be required to submit a recovery plan if capital/funding requirements are not met or should more specific supervisory responses be specified on the EU level? Please explain.</p> <p>The GDV agrees that IORPs should be required to submit a recovery plan in agreement with the competent authorities.</p>	Noted.
3.741.	GE	Q96	<p>Do stakeholders agree that IORPs should be required to submit a recovery plan if capital/funding requirements are not met or should more specific supervisory responses be specified on the EU level? Please explain.</p> <p>Any requirements set at an EU level on supervisory responses should be purely principles-based. The detail of how supervisory responses will be implemented (which may include, but is not limited to, submitting a recovery plan) should be determined by the</p>	Noted.

			relevant national supervisor. More detailed action should not be specified at an EU level as a one-size-fits all supervisory response is unlikely to capture all of the key variables of the local environment in which IORPS operate.	
3.742.	GE Pension Trustees Limited	Q96	<p>Do stakeholders agree that IORPs should be required to submit a recovery plan if capital/funding requirements are not met or should more specific supervisory responses be specified on the EU level? Please explain.</p> <p>Any requirements set at an EU level on supervisory responses should be purely principles-based. The detail of how supervisory responses will be implemented (which may include, but is not limited to, submitting a recovery plan) should be determined by the relevant national supervisor or regulator. More detailed action should not be specified at an EU level as a one-size-fits all supervisory response is unlikely to capture all of the key variables of the local environment in which IORPS operate.</p>	Noted.
3.744.	Heathrow Airport Limited	Q96	<p>Q96: Do stakeholders agree that IORPs should be required to submit a recovery plan if capital/funding requirements are not met or should more specific supervisory responses be specified on the EU level? 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</p>	

			<p>implying our agreement to the overall policy.</p> <p>Under existing legislation, IORPs are required to submit a recovery plan where funding requirements are not met. We believe that this should continue to be the case and that no further supervisory responses should be specified at an EU level..</p>	Noted.
3.745.	Hoechst-Gruppe VVaG	Q96	We support the approach of submitting a recovery plan. However, we would like to emphasise that because of the relevance of national social and labour law and their differences, there should be no specific measures taken at the EU level.	Noted.
3.746.	IFoA	Q96	The IFoA considers that there should be no change to the current Directive where it is left to national supervisors to give guidance on the approach to be used.	Noted.
3.747.	IVS	Q96	Yes, if the capital/funding requirements are reasonable i.e. flexible and not prescribed at EU level. This is important as the options for closing the gap could depend on national social, labour or tax law.	Noted.
3.748.	Jane Marshall Consulting	Q96	No. We emphasise once again that member states with substantial IORPS have devised regulatory and legal systems which reflect the national consensus on how risk is shared between sponsors, the corporate sector, individuals and the taxpayer. How they do that is up to them.	Noted.
3.751.	NAPF	Q96	Q96: Do stakeholders agree that IORPs should be required to submit a recovery plan if capital/funding requirements are not met or should more specific supervisory responses be specified on the EU level? 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>Any supervisory responses specified at the EU level should be purely principles-based; the detail of how supervisory responses are implemented should be determined by the national supervisor.</p>	Noted.
3.754.	Pensioenfederatie	Q96	<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. We would like to note that we think that the SCR is not compatible with the HBS . As all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can be developed.</p>	Noted.
3.755.	PensionsEurope	Q96	<p>Do stakeholders agree that IORPs should be required to submit a recovery plan if capital/funding requirements are not met or should more specific supervisory responses be specified on the EU level?</p>	

			<p>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>No. Although we support the approach of submitting a recovery plan, we would like to emphasise that because of the relevance of national social and labour law(s) and their differences, there should be no specific measures taken at EU level.</p> <p>We would like to note that we think that the SCR is not compatible with the HBS. As all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can be developed.</p>	Noted.
3.756.	PERNOD-RICARD	Q96	<p>Q96: Do stakeholders agree that IORPs should be required to submit a recovery plan if capital/funding requirements are not met or should more specific supervisory responses be specified on the EU level? Please explain.</p> <p>The detail of how supervisory responses will be implemented (which may include, but is not limited to, submitting a recovery</p>	

			plan) should be determined by the relevant national supervisor. More detailed action should not be specified at an EU level as a one-size-fits-all supervisory response is unlikely to capture all of the key variables of the local environment in which IORPS operate.	Noted.
3.759.	RPTCL	Q96	We believe that any requirements set at an EU level on supervisory responses should be purely principles-based and the detail of how supervisory responses will be implemented (which may include, but is not limited to, submitting a recovery plan) should be determined by the relevant national supervisor. Specification of supervisory responses at an EU level are unlikely to be appropriate, as such an approach will not capture all of the key aspects of the local environment in which IORPs operate.	Noted.
3.760.	Society of Pension Professionals	Q96	<p>Do stakeholders agree that IORPs should be required to submit a recovery plan if capital/funding requirements are not met or should more specific supervisory responses be specified on the EU level? 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</p>	

			<p>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>Any requirements set at an EU level on supervisory responses should be purely principles-based. The detail of how supervisory responses will be implemented (which may include, but is not limited to, submitting a recovery plan) should be determined by the relevant national supervisor. More detailed action should not be specified at an EU level as a one-size-fits all supervisory response is unlikely to capture all of the key variables of the local environment in which IORPS operate.</p>	Noted.
3.762.	Towers Watson	Q96	<p>Do stakeholders agree that IORPs should be required to submit a recovery plan if capital/funding requirements are not met or should more specific supervisory responses be specified on the EU level? Please explain.</p> <p>Any requirements set at an EU level on supervisory responses should be purely principles-based. The detail of how supervisory responses will be implemented (which may include, but is not limited to, submitting a recovery plan) should be determined by the relevant national supervisor. More detailed action should not be specified at an EU level as a one-size-fits-all supervisory response is unlikely to capture all of the key variables of the local environment in which IORPS operate.</p>	Noted.
3.763.	United Utilities Group	Q96	<p>Q96: Do stakeholders agree that IORPs should be required to submit a recovery plan if capital/funding requirements are not met or should more specific supervisory responses be specified on the EU level? Please explain.</p>	

			Under existing legislation, IORPs are required to submit a recovery plan where funding requirements are not met. We believe that this should continue to be the case and that no further supervisory responses should be specified at an EU level.	Noted.
3.764.	ZVK-Bau	Q96	Apart from the overall unfitting concept of the HBS for our scheme we support the idea of submitting a recovery plan. Specifying specific supervisory responses on EU level would potentially hinder national supervisors to develop custom-made recovery plans together with the funds.	Noted.
3.765.	OPSG	Q97	<p>This is analysed very well in 5.134 to 5.139. It is too early to assess the consequences on existing “contractual agreements” without knowing the details of the framework.</p> <p>However, the OPSG believes that existing contractual agreements and national social and labour law would be negatively impacted by a maximum harmonisation EU wide framework and that it is essential to retain MS options to enable the different pension structure to be maintained, albeit with a greater degree of harmonisation in relation to governance and risk management as proposed in IORP II.</p>	<p>Noted.</p> <p>EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.</p>
3.766.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q97	A possible future European prudential framework for IORPs based on the Solvency II like approach using the HBS methodology is inappropriate and, in addition, will increase the burden for IORPs and sponsors, but not really add to the safety of pension promises. It will negatively influence the level of benefits to the members and will not support a broader coverage in the workforce with occupational pensions by employers. (See also our General Remarks).	<p>Noted.</p> <p>Please see the EIOPA response on row 3765.</p>

			<p>If, against our recommendation, an HBS-approach was introduced, at least future entitlements would have to be based on the new rules incorporating the higher cost arising from additional prudential requirements. This is likely to result in lower benefits.</p> <p>It has to be avoided that a new regime influences labour and social law: prudential regulation should regard and support national social and labour law, it should not stipulate changes in social and labour law.</p>	
3.767.	ACA	Q97	<p>The consultation itself says it all - "IORPs may...not be able to comply with new prudential requirements nor be able to set up a feasible plan to achieve compliance." which would have a dramatic impact on retirement benefit provision etc.</p> <p>In our view the introduction of the holistic balance sheet approach to funding would result in the removal of any future defined benefit pension accrual in the UK. Existing arrangements would be closed to the future accrual of benefits and wound up where possible. The Confederation of British Industry has estimated that the additional call on UK businesses' funds from the introduction of such a funding regime could be in the order of €440 billion which is equivalent to an additional 7.9% of affected firms' total employment costs for each of ten years. This would have widespread impacts on the UK and European economy.</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3765.</p>
3.768.	Actuarial Association of	Q97	We believe that any approach adopted should aim not to alter to a	Noted.

	Europe	<p>material extent the strength of any 'pension promise' that has already been agreed between employer and employee. As noted above (and as explained in the Consultation Paper) the strength of the 'pension promise' in relation to benefits that have already been accrued depends partly on how these benefits will be financed (including how much has already been accumulated in an IORPS to support the benefits) and partly on the impact of any additional security mechanisms supporting the promised benefits (such as sponsor support, pension protection schemes and conditionality in benefits).</p> <p>It seems to us that adhering to this principle means that:</p> <p>(a) The selected approach will in practice need largely to retain existing member-state specific valuation standards, minimum funding requirements and accompanying recovery periods etc. for benefits already accrued to date or to be accrued in future under existing promises (i.e. for current employees). Otherwise, either the employer or the employee may object that the promise being provided (and hence its value) is being retrospectively altered to his or her disadvantage (with the impact not necessarily being uniform even within a given member state).</p> <p>(b) However, any reasonable approach could be adopted for benefits yet to be accrued or already promised. If politicians so wished (and EU treaties permitted) then this could include an approach that aimed to harmonise the strength of the 'pension promise' across member state for such benefits. Harmonisation might be considered desirable to reduce the likelihood that benefit provision will migrate to member states or structures that offer the least security of benefits. It might also be considered desirable to</p>	Please see the EIOPA response on row 3765.
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			<p>maximise the transparency and comparability of the 'pension promise' across the EU or from other cross-border perspectives. Conversely, it might be considered undesirable because it might impact too much on social and labour law within individual member states and if taken to its logical extreme would also favour harmonising where practical the underlying security mechanisms etc.. Any such harmonisation should ideally refer to a full HBS that takes into account all contributions to the strength of the pension promise.</p> <p>None of Examples 1 to 6 appear explicitly to recognise the potential need to differentiate between benefits already accrued and benefits yet to be accrued. However, this may be EIOPA's intention when referring to transitional measures. Of the examples given, Example 6 appears to be the one closest to the current position and hence the one that the above principle would favour for benefits accrued to date. As explained above, any of Examples 1 to 6 (or others) could potentially be adopted for benefits yet to be accrued depending on how politicians decide to balance the conflicting demands of continuity, proportionality, market impact, transparency, member protection, consistency with insurance framework, harmonisation and respect for diversity between member states.</p>	
3.769.	AEIP	Q97	<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>	Please see the EIOPA response on row 3765.

			<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>The size of the impact depends crucially on the scope of the future supervisory framework. Since we regard a future European prudential framework that includes HBS as costly and therefore negatively impacting the level of benefits existing contractual agreements concerning future contributions and benefits may need to change. AEIP believes that changes in EU prudential regulation should not lead to adjustment in Social and Labour Law. With regard to existing pension benefits, the impact will depend on whether these benefits could be interpreted as acquired property rights. Those rights should remain unadjusted.</p>	
3.770.	AGV Chemie	Q97	<p>A possible future European prudential framework for IORPs based on the Solvency II like approach using the HBS methodology is inappropriate and, in addition, will increase the burden for IORPs and sponsors, but not really adds to the safety of pension promises. It will negatively influence the level of benefits to the members and will not support a broader coverage in the workforce with occupational pensions by employers. (See our General remarks)</p> <p>Future entitlements have to be based on the new rules incorporating the higher cost arising from additional prudential requirements. It has to be avoided that a new regime influences labour and social law.</p>	Please see the EIOPA response on row 3765.

3.771.	ALSTOM	Q97	<p>Q97: What is the view of stakeholders on the potential impact of a possible future European prudential framework for IORPs on existing contractual agreements and national social and labour law?</p> <p>The application of a EU-wide prudential framework is not compatible with the variety of arrangements which exists at local country level. A one-size-fits all supervisory response is unlikely to capture all of the key variables of the local environment in which IORPS operate</p>	Please see the EIOPA response on row 3765.
3.772.	Aon Hewitt	Q97	<p>We note that the QIS showed EEA IORPs had a shortfall of over €450bn. The impact of any new framework could be significant, and would not necessarily adequately address the issue of how to finance existing shortfalls. We think it may be appropriate to consider the financing of existing promises separately from new promises.</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3765.</p>
3.773.	Association of Pension Lawyers	Q97	<p>Member states have a wide range of national social and labour laws which impact on IORPS. They also use available contractual frameworks in a number of different ways and also involve different social partners in a number of differing structures and collective or individual bargaining frameworks. These structures would be negatively affected by maximum harmonisation. It is important to retain member states ability to maintain different pension structures. Respecting different national social and labour laws would not however prevent a greater degree of harmonisation in relation to governance and risk management as currently proposed in IORP II. Governance and risk management do not need a single harmonised prudential framework in order to be properly implemented in member states.</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3765.</p>
3.775.	Atradius Credit	Q97	<p>We believe the impact of a possible future European prudential</p>	Noted.

	Insurance NV		<p>framework will be significant if applied to existing schemes and will have a significant adverse effect for long term investment growth and job prospects. We therefore wholeheartedly support the use of grandfathering to reduce the impact - the new requirements should not apply to either the accrued rights or future rights under any scheme established before any such rules potentially come into force.</p>	<p>Please see the EIOPA response on row 3765.</p>
3.776.	BAPI	Q97	<p>Q97: What is the view of stakeholders on the potential impact of a possible future European prudential framework for IORPs on existing contractual agreements and national social and labour law?</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>Especially the financial impact to the sponsor should be limited</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3765.</p>

			<p>because this can have a direct impact on the benefit plans for members and beneficiaries.</p> <p>Besides the impact also the transition process (grandfathering clauses, transition periods, etc...) clearly needs further investigation.</p>	
3.777.	Barnett Waddingham LLP	Q97	<p>The introduction of EU-wide capital/funding requirements would likely accelerate the current decline in defined benefit pension provision. Any additional funding costs would result in some employers closing or modifying schemes and if employers need to cut costs in other areas there may be job losses and a decline in investment in the business which will impact the wider economy.</p>	<p>Please see the EIOPA response on row 3765.</p>
3.778.	BASF SE	Q97	<p>A possible future European prudential framework for IORPs based on the Solvency II like approach using the HBS methodology is inappropriate and, in addition, will increase the burden for IORPs and sponsors, but not really add to the safety of pension promises. It will negatively influence the level of benefits to the members and will not support a broader coverage in the workforce with occupational pensions by employers. (See our general remarks.)</p> <p>Future entitlements have to be based on the new rules incorporating the higher cost arising from additional prudential requirements. Supervisory regulation has always to be subordinated under labour, co-determination and social law which already provide a high level of safeguarding of pensions. In these fields of law the subsidiarity principle applies.</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3765.</p>
3.779.	BDA	Q97	<p>A possible future European prudential framework for IORPs based on the Solvency II like approach using the HBS methodology is inappropriate and, in addition, will increase the burden for IORPs and sponsors, but not really adds to the safety of pension promises. It will negatively influence the level of benefits to the members and</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3765.</p>

			<p>will not support a broader coverage in the workforce with occupational pensions by employers. (See our General remarks)</p> <p>Future entitlements have to be based on the new rules incorporating the higher cost arising from additional prudential requirements. It has to be avoided that a new regime influences labour and social law.</p>	
3.780.	Better Finance	Q97	<p>In most cases, there might be a significant impact on national SLL. The achievement of a single market for pension savings in the EU, which we deem in the interest for EU citizens as pension savers; since the persistence of fragmentation, of the lack of comparability and of transparency on funding levels of IORP pension schemes is not in the interest of EU citizens as pension savers.</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3765.</p>
3.782.	British Telecommunications plc	Q97	<p>Q97: What is the view of stakeholders on the potential impact of a possible future European prudential framework for IORPs on existing contractual agreements and national social and labour law?</p> <p>The application of an EU-wide prudential framework is not compatible with the variety of arrangements which exist at local country level. A one-size-fits-all supervisory response is unlikely to capture all of the key variables of the local environment in which IORPS operate.</p>	<p>Please see the EIOPA response on row 3765.</p>
3.783.	Compass Group PLC	Q97	<p>Q97: What is the view of stakeholders on the potential impact of a possible future European prudential framework for IORPs on existing contractual agreements and national social and labour law?</p>	

3.784.	D & L Scott	Q97	United Kingdom contractual arrangements and national social and labour law has already been impacted by the existing European prudential framework and I must assume that if framework changes have the force of law (and the support of the European Parliament) then further impacts are inevitable.	Noted. Please see the EIOPA response on row 3765.
3.785.	EAPSPI	Q97	EAPSPI is in favour of a strict grandfathering for existing pension promises and schemes (or at least long transitional periods) as otherwise increased call on business funds would cause great harm to occupational pensions (extreme case: closing of already existing schemes) as well as negatively affecting economic growth. As mentioned in Q85 the negative 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 which gives an analysis of likely consequences. If no extensive grandfathering were implemented the main results would be 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.	Noted. Please see the EIOPA response on row 3765.
3.786.	EEF	Q97	There are significant measures that could be taken to mitigate the impact of such a major change, including: <input type="checkbox"/> as the Consultation Paper suggests, a 'very long' transition period, and	Noted. Please see the EIOPA response on row 3765.

			<input type="checkbox"/> limiting the application of the regime to future accruals only.	
3.787.	Eversheds LLP	Q97	<p>The possible future European prudential framework for IORPs could have a significant impact on existing contractual agreements and national and social labour law. In particular:</p> <p>(i) if the new prudential framework were to increase the liabilities of existing IORPs, such as defined benefit schemes in the UK, it could lead to the closure of such IORPs to new members and/or future accrual;</p> <p>(ii) a new, more stringent funding regime could lead to more IORPs having to call upon pension protection schemes which in many circumstances would lead to members' benefits being reduced and may cause those pension protection schemes to get into difficulties themselves;</p> <p>(iii) if a new, more stringent funding regime required sponsors to increase the level of their contributions to IORPs it could lead to corporate insolvencies. It would also have a significant economic impact, as funds would have to be diverted away from business investment. This is likely to negatively impact economic growth and jobs at a time when Europe needs to do all that it can to promote these. Indeed these are two key priorities identified by Jean-Claude Juncker for the new European Commission.</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3765.</p>

3.788.	Evonik Industries AG	Q97	<p>A possible future European prudential framework for IORPs based on the Solvency II like approach using the HBS methodology is inappropriate and, in addition, will increase the burden for IORPs and sponsors, but not really adds to the safety of pension promises. It will negatively influence the level of benefits to the members and will not support a broader coverage in the workforce with occupational pensions by employers. (See our General remarks)</p> <p>Future entitlements have to be based on the new rules incorporating the higher cost arising from additional prudential requirements. It has to be avoided that a new regime influences labour and social law.</p>	Please see the EIOPA response on row 3765.
3.789.	FSUG	Q97	In most cases, there might be a significant impact on national SLL.	<p>Noted.</p> <p>Please see the EIOPA response on row 3765.</p>
3.790.	FVPK	Q97	<p>What is the view of stakeholders on the potential impact of a possible future European prudential framework for IORPs on existing contractual agreements and national social and labour law?</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes</p>	Please see the EIOPA response on row 3765.

			<p>in Austria.</p> <p>The size of the impact depends crucially on the scope of the future supervisory framework. Existing contractual agreements concerning future contributions and benefits may need to change. Also, national labour law may need to be adjusted.</p> <p>At the moment in Austrian prudential law there are limits for administration fees calculated by IORPs in Austria. If HBS will be established these limits have to be cancelled.</p> <p>FVPK points out that it has to be avoided that a new regime influences labour and social law: Prudential regulation should go along with and support national social and labour law, it should determine it.</p>	
3.791.	GDFSUEZ	Q97	<p>Q97: What is the view of stakeholders on the potential impact of a possible future European prudential framework for IORPs on existing contractual agreements and national social and labour law?</p> <p>The application of a EU-wide prudential framework is not compatible with the variety of arrangements which exists at local country level. A one-size-fits all supervisory response is unlikely to capture all of the key variables of the local environment in which IORPS operate. Social and labour law should prevail on prudential regulation, not the opposite.</p>	Please see the EIOPA response on row 3765.
3.792.	GDV	Q97	<p>What is the view of stakeholders on the potential impact of a possible future European prudential framework for IORPs on existing contractual agreement and national social and labour law?</p>	Noted.

			<p>The prudential framework should not impose consequences on the national social and labour law. It is important that the specificities of IORPs across member states are taken into account appropriately and prudential requirements are compatible with the national law.</p>	<p>Please see the EIOPA response on row 3765.</p>
3.793.	GE	Q97	<p>What is the view of stakeholders on the potential impact of a possible future European prudential framework for IORPs on existing contractual agreements and national social and labour law?</p> <p>We believe the impact of a possible future European prudential framework will be significant if applied to existing schemes and will have a significant adverse effect for long term investment growth and job prospects. We therefore strongly support the use of grandfathering to reduce the impact - the new requirements should not apply to either the accrued rights or future rights under any scheme established before any such rules potentially come into force.</p>	<p>Noted</p> <p>Please see the EIOPA response on row 3765.</p>
3.794.	GE Pension Trustees Limited	Q97	<p>What is the view of stakeholders on the potential impact of a possible future European prudential framework for IORPs on existing contractual agreements and national social and labour law?</p> <p>We believe the impact of a possible future European prudential framework will be significant if applied to existing schemes and will have a significant adverse effect for long term investment growth and job prospects. We therefore wholeheartedly support the use of grandfathering to reduce the impact - the new requirements should not apply to either the accrued rights or future rights under any scheme established before any such rules potentially come into</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3765.</p>

			<p>force.</p> <p>Even if grandfathering does apply, we also believe the impact will be significant for DB pension schemes still open to future accrual such as the GE schemes as we believe it is likely to force employers to close these DB schemes, which is not in our view in the interests of current pension fund members.</p>	
3.796.	Heathrow Airport Limited	Q97	Q97: What is the view of stakeholders on the potential impact of a possible future European prudential framework for IORPs on existing contractual agreements and national social and labour law?	
3.797.	Hoechst-Gruppe VVaG	Q97	<p>A possible future European prudential framework for IORPs based on the Solvency II like approach using the HBS methodology is inappropriate and, in addition, will increase the burden for IORPs and sponsors, but not really add to the safety of pension promises. It will negatively influence the level of benefits to the members and will not support a broader coverage in the workforce with occupational pensions by employers. (See also our General Remarks).</p> <p>If, against our recommendation, an HBS-approach was introduced, at least future entitlements would have to be based on the new rules incorporating the higher cost arising from additional prudential requirements. This is likely to result in lower benefits.</p> <p>It has to be avoided that a new regime influences labour and social law: prudential regulation should regard and support national social</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3765.</p>

			and labour law, it should not stipulate changes in social and labour law.	
3.798.	IFoA	Q97	The IFoA has a concern that amending the protection of accrued benefits as discussed in this consultation could have the effect of making existing entitlements more valuable: i.e. retrospectively increasing the value of deferred remuneration. As stated above, we believe that the existing contractual agreements and national social and labour law should drive the determination by MS of the prudential framework for each member state.	Noted. Please see the EIOPA response on row 3765.
3.799.	IVS	Q97	<p>From what we can ascertain, this is the first time that EIOPA is systematically considering the (significant) repercussions in the future actions taken by plan sponsors as a result of the ideas flaunted to date by the Commission and EIOPA. Due to the insensitive approach taken thus far, the repercussions amongst sponsors have already been serious, even though their translation into actions have not been widespread as yet. Imposing a new framework without very reasonable transition arrangements seems reckless to us. We prefer a flexible EU framework that appropriately takes national SLL into account.</p> <p>We welcome EIOPA's acceptance, that this is a crucial issue, which we strongly recommend should be part of the overall framework before it is consulted on.</p> <p>It is clear that a consistent EU-wide prudential framework could have a massive impact on existing contractual agreements (witness results of the first QIS). If the prudential framework increases the costs disproportionately, employers will quite obviously react on commercial grounds by trying to close or cut the benefits and/or even attempt to find other ways of granting social benefits that are less strongly regulated. Regarding the ongoing demographic change</p>	Noted. Please see the EIOPA response on row 3765.

			<p>in Europe, this would be counterproductive and contrary to the Commission's aims of increasing coverage and adequacy of benefits.</p> <p>Not only will disproportionate measures affect entitlements accrued in respect of past service. Measures applied to future accruals may also have significant effects on citizens providing for their retirement.</p>	
3.800.	Jane Marshall Consulting	Q97	<p>Countries such as the UK which have developed IORP systems have arrived at their current law and regulation over many years. In the UK, pensions law is a mix of trust law (which governs the IORP, each of which differs from any other IORP under specific rules) contract law (which governs the relationship between sponsor and employee) and specific pensions law and regulation. As a result, almost any issue raised in this consultation will have a very significant impact on IORPs and their sponsors and will involve substantial legal change. There have been many changes in the law over recent years, as lessons have been learnt and new regulatory requirements put in place to adapt to changing circumstances. These changes, which have involved a significant tightening of the regulatory system and material compliance costs, are now broadly understood and accepted. Further change and cost, which most will consider unnecessary and unfair, will not encourage employers. They need stability and as much flexibility as is consistent with proper member protection; the proposals subject to consultation create quite the opposite conditions.</p> <p>The focus of EU activity should be encouraging more employers to establish and maintain IORPs.</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3765.</p>
3.803.	NAPF	Q97	<p>Q97: What is the view of stakeholders on the potential impact of a possible future European prudential framework for IORPs on existing contractual agreements and national social and labour law?</p>	<p>Noted.</p> <p>Please see the EIOPA</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>There are a number of ways in which the impact of a Holistic Balance Sheet-based funding regime could be mitigated, and the NAPF would support the following options (both discussed in paragraph 5.139) if the HBS were ever to be implemented for that purpose:</p> <ul style="list-style-type: none"> - significant transitional provisions; the paper posits the possibility of a 'very long' transition and the NAPF would propose at least 10 years between the entry into force of legislation and practical implementation as a funding regime; and - application to future accruals only. 	response on row 3765.
3.806.	Otto Group	Q97	<p>A possible future European prudential framework for IORPs based on the Solvency II like approach using the HBS methodology is inappropriate and, in addition, will increase the burden for IORPs and sponsors, but not really adds to the safety of pension promises. It will negatively influence the level of benefits to the members and will not support a broader coverage in the workforce with occupational pensions by employers. (See our General remarks)</p>	Please see the EIOPA response on row 3765.

			<p>Future entitlements have to be based on the new rules incorporating the higher cost arising from additional prudential requirements. It has to be avoided that a new regime influences labour and social law.</p>	
3.807.	Pensioenfederatie	Q97	<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 size of the impact crucially depends on the scope of the future supervisory framework. Existing contractual agreements concerning future contributions and benefits may need to change. Also national social and labour law may need to be adjusted. With regard to existing pension benefits, the impact will depend on whether these benefits could be interpreted as acquired property rights. Those rights should remain unadjusted. Moreover, in the Netherlands, it is explicitly confirmed that a change in prudential regulation as such does not give a reason to change existing contracts with the supervisor, such as for instance in the case of recovery plans approved by the supervisor. As long as IORPs fulfill their obligation according to these contracts, there is no reason to change it. If existing contractual agreements need to be revised in a future</p>	<p>Please see the EIOPA response on row 3765.</p>

			European framework, this should explicitly be stipulated by law.	
3.808.	PensionsEurope	Q97	<p>What is the view of stakeholders on the potential impact of a possible future European prudential framework for IORPs on existing contractual agreements and national social and labour law?</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 size of the impact depends crucially on the scope of the future supervisory framework. Existing contractual agreements concerning future contributions and benefits may need to change. Also, as acknowledged by EIOPA (5.138), national social and labour law(s) may need to be adjusted.</p> <p>With regard to existing pension benefits, the impact will depend on whether these benefits could be interpreted as acquired property rights. Those rights should remain unadjusted. Moreover, in Member States such as the Netherlands, it is explicitly confirmed that a change in prudential regulation as such does not give a reason to change existing agreements with the supervisor, such as for instance in the case of recovery plans approved by the supervisor. As long as IORPs fulfill their obligation according to these agreements, there is no reason to change it. If existing</p>	Please see the EIOPA response on row 3765.

			<p>contractual agreements need to be revised in a future European framework, this should explicitly be stipulated by law.</p> <p>PensionsEurope stresses that, it has to be avoided that a new regime influences labour and social law: Prudential regulation should go along with and support national social and labour law(s), it should not do the opposite.</p> <p>There are a number of ways in which the impact of a HBS-based funding regime could be mitigated, and PensionsEurope would support both the grandfathering and the long transitional periods (depending on national specificities) options discussed in paragraph 5.139 if the HBS were ever to be implemented for that purpose.</p>	
3.809.	PERNOD-RICARD	Q97	<p>Q97: What is the view of stakeholders on the potential impact of a possible future European prudential framework for IORPs on existing contractual agreements and national social and labour law?</p> <p>The application of a EU-wide prudential framework is not compatible with the variety of arrangements which exists at local country level. A one-size-fits-all supervisory response is unlikely to capture all of the key variables of the local environment in which IORPS operate.</p>	Please see the EIOPA response on row 3765.
3.810.	Punter Southall	Q97	<p>Adopting a holistic balance sheet funding regime to IORPs could have a detrimental impact on the IORPs themselves, their members, and their sponsors, as well as for the European economy as a whole. This is recognised in the consultation itself which states that "IORPs may...not be able to comply with the new prudential</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3765.</p>

			requirements nor be able to set up a feasible plan for achieve compliance.” This could ultimately lead to the end of defined benefit provision in the UK which has, historically, provided members with a secure form of retirement provision at an appropriate level.	
3.813.	RPTCL	Q97	We believe the impact of a possible future European prudential framework would be significant if it applied to existing IORPs, such as ours, and will have a significant adverse effect for long term investment growth and job prospects. We therefore suggest that any such framework is not applied to either the accrued rights or future rights of any IORPs established before any such rules potentially come into force.	Noted. Please see the EIOPA response on row 3765.
3.814.	Siemens Pensionsfonds	Q97	A possible future European prudential framework for IORPs based on the Solvency II like approach using the HBS methodology is inappropriate and, in addition, will increase the burden for IORPs and sponsors, but not really adds to the safety of pension promises. It will negatively influence the level of benefits to the members and will not support a broader coverage in the workforce with occupational pensions by employers. (See our General remarks) Future entitlements have to be based on the new rules incorporating the higher cost arising from additional prudential requirements. It has to be avoided that a new regime influences labour and social law.	Please see the EIOPA response on row 3765.
3.815.	Society of Pension Professionals	Q97	What is the view of stakeholders on the potential impact of a possible future European prudential framework for IORPs on existing contractual agreements and national social and labour law? Whilst we acknowledge that the work EIOPA has carried out to date	Noted. Please see the EIOPA response on row 3765.

			<p>on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>We believe the impact of a possible future European prudential framework will be significant if applied to existing schemes and will have a significant adverse effect for long term investment growth and job prospects. We therefore wholeheartedly support the use of grandfathering to reduce the impact - the new requirements should not apply to either the accrued rights or future rights under any scheme established before any such rules potentially come into force.</p>	
3.817.	Towers Watson	Q97	<p>What is the view of stakeholders on the potential impact of a possible future European prudential framework for IORPs on existing contractual agreements and national social and labour law?</p> <p>We believe the impact of a possible future European prudential</p>	<p>Noted.</p> <p>Please see the EIOPA</p>

			framework will be significant if applied to existing schemes and will have a significant adverse effect for long term investment growth and job prospects. We therefore wholeheartedly support the use of grandfathering to reduce the impact - the new requirements should not apply to either the accrued rights or future rights under any scheme established before any such rules potentially come into force.	response on row 3765.
3.818.	United Utilities Group	Q97	Q97: What is the view of stakeholders on the potential impact of a possible future European prudential framework for IORPs on existing contractual agreements and national social and labour law?	
3.819.	ZVK-Bau	Q97	<p>As described before on more than one occasion our fund is based on collective agreements and financed using collective equivalence (the contribution rate is calculated at least every three years to meet the liabilities of that time). The first peculiarity leads to much bigger leeway concerning past services than usual in private agreements the second allows the social partners to establish elements of solidarity which are financed by the collective of all construction companies.</p> <p>In Germany the way of providing an occupational pension is left to the decision of the employer. He could use an IORP or other way like book reserve schemes or pension insurance contracts for example. But pensions without a guarantee of any kind are not allowed in Germany therefore there are no pure DC schemes.</p> <p>Given the situation a Solvency-II-like regulatory framework with an HBS addition on top we assume that in very short time the political pressure will be overwhelming to allow pure DC schemes without any guarantees. As soon as the pure DC schemes will be allowed DB schemes that became very expensive for the sponsors due to the new regulatory standard will be closed. This will directly affect</p>	Please see the EIOPA response on row 3765.

			the funds that are based on collective equivalence because all newly established jobs (especially for young construction workers) will not contribute for financing the « old » scheme and the solidarity elements within. Sooner or later the scheme will have to cut benefits to stay sustainable.	
3.820.	OPSG	Q98	<p>The OPSG thinks it would be essential to have transitional measures if significant changes were proposed to the existing regime, and at an extreme this could take the form of applying any new structure to new members of IORPs (“new contracts”) or possibly future accrual for existing members, with the existing regime applying to pension rights built up to date.</p> <p>Transitional periods and/or grandfathering rules depend also on the supervisory framework chosen. Very long transitional periods are not recommended but in some cases may be absolutely necessary under some supervisory frameworks. Therefore the choice of the supervisory framework should be evaluated also compared to the duration of transitional periods.</p> <p>Nevertheless, any kind of implementation of transitional periods and/or grandfathering has to go hand in hand with an adequate consideration of all the specific mechanisms like the sponsor support or PPS within the HBS and cannot be seen as a substitute for the inclusion of such mechanisms.</p>	<p>Noted.</p> <p>EIOPA advises not changing capital or funding requirements at this point in time, but to introduce a common framework for risk assessment and transparency.</p>
3.821.	100 Group of Finance Directors	Q98	Q98: In the stakeholders’ view is there scope for transitional measures in order to mitigate the potential impact of a possible EU prudential regime on existing contractual agreements and national social and labour law?	<p>Noted.</p> <p>Please see the EIOPA response on row 3820.</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 do not believe that the case has been made for a possible EU prudential regime based on the holistic balance sheet. However, if such a regime were to be introduced (and especially if the holistic balance sheet were to be used for Pillar 1 funding/solvency requirements), then an appropriate transitional regime would be essential to avoid major impacts on pension schemes, sponsors and long-term investment markets.</p> <p>We therefore agree that benefits that were accrued prior to the introduction of a holistic balance sheet approach should be excluded from the new EU regime.</p> <p>We would also favour a long transition period for employers to adapt their pension provision to fit the new regime (noting that in practice this would be likely to mean the closure to future accrual of all existing defined benefit provision, which may not be what EIOPA is aiming to achieve).</p>	
3.822.	aba	Q98	If new quantitative elements as discussed in the paper should be introduced than these should only apply to new members. Existing	Noted.

	Arbeitsgemeinschaft für betriebliche Altersve		<p>successful IORPs should be able to continue their work as they used to.</p> <p>We would like to emphasise that transitional measure for existing schemes/IORPs are not an alternative to including security mechanisms in a HBS for future schemes/IORPs – security mechanisms need to be included, and adequate transitional measures have to be developed.</p> <p>The application of such new rules will lead to a completely new business model for these new entitlements with considerably reduced benefit levels. Additionally we believe that the introduction of such new rules will lead to closings of several IORPs and will reduce DB promises.</p>	Please see the EIOPA response on row 3820.
3.823.	ACA	Q98	<p>We believe the impact of a possible future European prudential framework would be inappropriate if applied to existing schemes and would have a significant adverse effect for long term investment growth and job prospects. We therefore wholeheartedly support the use of grandfathering to reduce the impact. The new requirements should not apply to either the accrued rights or future rights under any scheme established before any such rules potentially come into force. In the absence of explicit grandfathering then we would strongly support the use of lengthy transitional periods to reduce the impact of any future possible EU prudential regime. This would allow IORPs, investment markets and labour markets to adapt to a new framework and develop appropriate responses in as cost-efficient a manner as is possible.</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3820.</p>

3.824.	Actuarial Association of Europe	Q98	See answer to Q97. The principle set out there would favour a 'transitional' arrangement in which benefits accrued to date or already promised were subject to existing valuation standards, minimum funding requirements and accompanying recovery periods etc. (either indefinitely or if this was not workable for effectively a very extended period) and if changes are made to such standards etc. then they only apply to benefits yet to be accrued i.e. new promises.	Noted. Please see the EIOPA response on row 3820.
3.825.	AEIP	Q98	AEIP is against EU prudential regulation interfering with national Social and Labour Law.	Noted. Please see the EIOPA response on row 3820.
3.826.	AGV Chemie	Q98	If new quantitative elements which are discussed in the paper should be introduced, than these should only apply to new entitlements. The application of such new rules will lead to a completely new business model for these new entitlements with considerably reduced benefit levels. Additionally we believe that introduction of such new rules will lead to closings of several IORPs.	Noted. Please see the EIOPA response on row 3820.
3.827.	ALSTOM	Q98	Q98: In the stakeholders' view is there scope for transitional measures in order to mitigate the potential impact of a possible EU prudential regime on existing contractual agreements and national social and labour law? We believe the impact of a possible future European prudential framework would be inappropriate if applied to existing schemes and would have a significant adverse effect for long term investment growth and job prospects. If such a framework were	Noted. Please see the EIOPA response on row 3820.

			however, to be introduced, we therefore wholeheartedly support the use of grandfathering to reduce the impact. The new requirements should not apply to either the accrued rights or future rights under any scheme established before any such rules potentially come into force. In the absence of explicit grandfathering then we would strongly support the use of lengthy transitional periods to reduce the impact of any future possible EU prudential regime. This would allow IORPs, investment markets and labour markets to adapt to a new framework and develop appropriate responses in as cost-efficient a manner as is possible	
3.828.	Aon Hewitt	Q98	We would be very supportive of long transitional measures or grandfathering. From our discussions with a number of our clients, we think this would be widely supported across the EEA and sponsors around the world (including sponsors with head offices in non-EEA locations).	Noted. Please see the EIOPA response on row 3820.
3.829.	Association of Pension Lawyers	Q98	It will be essential to have transitional measures if significant changes were really to be proposed to the existing member state regimes – whether this is applying any new structure to new members of IORPs under new contracts or even to future accrual for existing members. In any event, only existing regimes should be applied to pension rights built up to date.	Noted. Please see the EIOPA response on row 3820.
3.831.	Atradius Credit Insurance NV	Q98	In the absence of grandfathering then we strongly support the use of lengthy transitional periods to reduce the impact of any future possible EU prudential regime. This will allow IORPS, investment markets and labour markets to adapt to a new framework and develop appropriate responses in as cost-efficient a manner as is possible.	Noted. Please see the EIOPA response on row 3820.
3.832.	BAPI	Q98	Q98: In the stakeholders' view is there scope for transitional	Noted.

		<p>measures in order to mitigate the potential impact of a possible EU prudential regime on existing contractual agreements and national social and labour law?</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 order to answer this question we should better understand the impact of the possible EU prudential regime on contracts and national social and labour law. Not only the framework is still unclear (use of the HBS, Level A versus Level B, etc...) but apart of some possible scenarios so far there is no information about the future supervisory actions. Once the impact is known we can answer questions about the transition, the length of transitional measures, the grandfathering, etc... BAPI would like to emphasize that a solvency framework for IORPs as on the table today might lead to closing of DB schemes and even the winding up of IORPs.</p>	<p>Please see the EIOPA response on row 3820.</p>
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3.833.	Barnett Waddingham LLP	Q98	<p>We are unconvinced of the rationale for setting harmonised solvency requirements at European level and remain fundamentally opposed to the holistic balance sheet approach as envisaged by EIOPA.</p> <p>If such an approach is to be taken, we strongly support the use of transitional arrangements to reduce the immediate impact, preferably excluding current schemes or allowing a long transitional period.</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3820.</p>
3.834.	BASF SE	Q98	<p>If new quantitative or qualitative elements as discussed in the paper should be introduced than these should only apply to new entitlements. The application of such new rules will lead to a completely new business model for these new entitlements with considerably reduced benefit levels. Additionally we believe that introduction of such new rules will lead to a reduction of DB promises and to closings of several IORPs.</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3820.</p>
3.835.	BDA	Q98	<p>If new quantitative elements which are discussed in the paper should be introduced, than these should only apply to new entitlements. The application of such new rules will lead to a completely new business model for these new entitlements with considerably reduced benefit levels. Additionally we believe that introduction of such new rules will lead to closings of several IORPs.</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3820.</p> <p>Noted.</p> <p>Please see the EIOPA response on row 3820.</p>
3.836.	Better Finance	Q98	<p>Transitional measures should be the shortest possible, but this question is really dependent on the scope of a harmonized regulation. The design of EU wide solvency rules for pension</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3820.</p>

			savings products managed by IORPs is key to end the lack of consistency and the lack of a level playing field with the other pension saving products, in particular those managed by insurance undertakings.	
3.838.	British Telecommunications plc	Q98	<p>Q98: In the stakeholders' view is there scope for transitional measures in order to mitigate the potential impact of a possible EU prudential regime on existing contractual agreements and national social and labour law?</p> <p>Any possible future European prudential framework whether based on the HBS or an alternative would be inappropriate if applied to existing schemes and would have a significant adverse effect for long term investment growth and job prospects. However, if such a framework were to be introduced, there must be the use of grandfathering to reduce the impact. The new requirements should not apply to either the accrued rights or future rights under any scheme established before any such rules potentially come into force. In the absence of explicit grandfathering then the use of lengthy transitional periods to reduce the impact of any future possible EU prudential regime must be established. This would allow IORPs, investment markets and labour markets to adapt to a new framework and develop appropriate responses in as cost-efficient a manner as is possible.</p> <p>It should be noted that the impact of a EU prudential regime in practice that substantially increases costs for employers, is likely to mean the closure to future accrual of all existing defined benefit provision, which cuts directly against the EC's goal of ensuring adequate pension provision across the EU.</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3820.</p>
3.839.	Compass Group PLC	Q98	Q98: In the stakeholders' view is there scope for transitional	Noted.

		<p>measures in order to mitigate the potential impact of a possible EU prudential regime on existing contractual agreements and national social and labour law?</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 do not believe that the case has been made for a possible EU prudential regime based on the holistic balance sheet. However, if such a regime were to be introduced (and especially if the holistic balance sheet were to be used for Pillar 1 funding/solvency requirements), then an appropriate transitional regime would be essential to avoid major impacts on pension schemes, sponsors and long-term investment markets.</p> <p>We therefore agree that benefits that were accrued prior to the introduction of a holistic balance sheet approach should be excluded from the new EU regime.</p> <p>We would also favour a long transition period for employers to adapt their pension provision to fit the new regime (noting that in practice this would be likely to mean the closure to future accrual of all existing defined benefit provision, which may not be what EIOPA is aiming to achieve).</p>	<p>Please see the EIOPA response on row 3820.</p>
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3.840.	D & L Scott	Q98	There is always scope for reasonable transitional measures to be permitted.	Noted. Please see the EIOPA response on row 3820.
3.841.	EEF	Q98	See our response to Q97.	Noted.
3.842.	Eversheds LLP	Q98	<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, a lengthy transitional period would be essential in order to enable IORPs and sponsors to adjust to the requirements of the holistic balance sheet, especially if it were to be used as the basis of new capital requirements. A transitional period of at least 10 to 15 years would be appropriate, or perhaps even 25 years, to reflect the time by which most IORPs in the UK are aiming to be self sufficient.</p> <p>Furthermore, IORPs should have the option of applying the Holistic Balance Sheet to future accruals only – the ‘grandfathering’ option mooted in paragraph 5.139.</p>	Noted. Please see the EIOPA response on row 3820.
3.843.	Evonik Industries AG	Q98	If new quantitative elements which are discussed in the paper	Noted.

			should be introduced, than these should only apply to new entitlements. The application of such new rules will lead to a completely new business model for these new entitlements with considerably reduced benefit levels. Additionally we believe that introduction of such new rules will lead to closings of several IORPs.	Please see the EIOPA response on row 3820.
3.844.	FFSA	Q98	Adapted and appropriate transitional measures with necessary long time period are needed to ensure appropriate entry into a new prudential regime. Within Solvency II, the Transitional measures are set up to 16 years. A similar approach could be taken for IORPs not to penalize them compared to insurers.	Noted. Please see the EIOPA response on row 3820.
3.845.	FSUG	Q98	Transitional measures should be the shortest possible, but this question is really dependent on the scope of a harmonized regulation.	Noted. Please see the EIOPA response on row 3820.
3.846.	FVPK	Q98	<p>In the stakeholders' view is there scope for transitional measures in order to mitigate the potential impact of a possible EU prudential regime on existing contractual agreements and national social and labour law?</p> <p>FVPK does not support the Holistic Balance Sheet project from Austrian point of view (see General Remarks). However FVPK is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place excessive burdens on occupational pension schemes in Austria.</p> <p>FVPK is against EU prudential regime interfering with national social</p>	Noted. Please see the EIOPA response on row 3820.

			and labour law. But if prudential law determines national social and labour law there is of course scope for transitional measure.	
3.847.	GDFSUEZ	Q98	<p>Q98: In the stakeholders' view is there scope for transitional measures in order to mitigate the potential impact of a possible EU prudential regime on existing contractual agreements and national social and labour law?</p> <p>We believe the impact of a possible future European prudential framework would be inappropriate if applied to existing schemes and would have a significant adverse effect for long term investment growth and job prospects. If such a framework were however, to be introduced, we therefore wholeheartedly support the use of grandfathering to reduce the impact. The new requirements should not apply to either the accrued rights or future rights under any scheme established before any such rules potentially come into force. In the absence of explicit grandfathering then we would strongly support the use of lengthy transitional periods to reduce the impact of any future possible EU prudential regime. This would allow IORPs, investment markets and labour markets to adapt to a new framework and develop appropriate responses in as cost-efficient a manner as is possible</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3820.</p>
3.848.	GDV	Q98	<p>In the stakeholders' view is there scope for transitional measures in order to mitigate the potential impact of a possible EU prudential regime on existing contractual agreements and national social and labour law?</p> <p>Transitional measures are needed and appropriate in order to assess the consequences and to adjust the national prudential regulation to the new prudential regime.</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3820.</p>

3.849.	GE	Q98	<p>In the stakeholders' view is there scope for transitional measures in order to mitigate the potential impact of a possible EU prudential regime on existing contractual agreements and national social and labour law?</p> <p>In the absence of grandfathering then we strongly support the use of lengthy transitional periods to reduce the impact of any future possible EU prudential regime. This will allow IORPS, investment markets and labour markets to adapt to a new framework and develop appropriate responses in as cost-efficient a manner as is possible.</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3820.</p>
3.850.	GE Pension Trustees Limited	Q98	<p>In the stakeholders' view is there scope for transitional measures in order to mitigate the potential impact of a possible EU prudential regime on existing contractual agreements and national social and labour law?</p> <p>In the absence of grandfathering then we strongly support the use of lengthy transitional periods to reduce the impact of any future possible EU prudential regime. This transitional period should be determined by the relevant national supervisor or regulator and should also allow for the situation of the sponsoring employer – ie stronger employers should be able to apply a longer transition period, consistent with recent statements from the Pensions Regulator in the UK about recovery plans. This will allow IORPS, investment markets and labour markets to adapt to a new framework and develop appropriate responses in as cost-efficient a manner as is possible.</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3820.</p>

			<p>Any such transitional measures need to be both pragmatic and proportionate, in the context of the complexity of many IORPs and the nature of the sponsor covenant support for the IORP. The GE arrangements, for example, are supported by a large number of participating employers and wider group support. Any such transitional measures should be able to practically allow for such features.</p>	
3.852.	Heathrow Airport Limited	Q98	<p>Q98: In the stakeholders' view is there scope for transitional measures in order to mitigate the potential impact of a possible EU prudential regime on existing contractual agreements and national social and labour law?</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 believe that the case has been made for a possible EU prudential regime based on the holistic balance sheet. However, if such a regime were to be introduced (and especially if the holistic balance sheet were to be used for Pillar 1 funding/solvency requirements), then an appropriate transitional regime would be essential to avoid major impacts on pension schemes, sponsors and long-term investment markets.</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3820.</p>

			<p>We therefore agree that benefits that were accrued prior to the introduction of a holistic balance sheet approach should be excluded from the new EU regime.</p> <p>We would also favour a long transition period for employers to adapt their pension provision to fit the new regime (noting that in practice this would be likely to mean the closure to future accrual of all existing defined benefit provision, which may not be what EIOPA is aiming to achieve).</p>	
3.853.	Hoechst-Gruppe VVaG	Q98	<p>If new quantitative elements as discussed in the paper should be introduced than these should only apply to new members. Existing successful IORPs should be able to continue their work as they used to.</p> <p>We would like to emphasise that transitional measure for existing schemes/IORPs are not an alternative to including security mechanisms in a HBS for future schemes/IORPs – security mechanisms need to be included, and adequate transitional measures have to be developed.</p> <p>The application of such new rules will lead to a completely new business model for these new entitlements with considerably reduced benefit levels. Additionally we believe that the introduction of such new rules will lead to closings of several IORPs and will reduce DB promises.</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3820.</p>

3.854.	IFoA	Q98	The IFoA considers that transitional measures would be required and the length of the transitional period would also be relevant. Consideration could be given to not applying any changes to existing promises.	Noted. Please see the EIOPA response on row 3820.
3.855.	IVS	Q98	<p>As our response to Q 97 indicates, this is an overdue consideration by EIOPA and a very sensible and necessary thing to do. Thinking about details of this process should go hand-in-hand with the full definition of the HBS/HPF model. The importance of occupational pensions in the European retirement systems makes it necessary, that transitional measures are established. Already the discussions about implementing new European capital requirements over the past years have damaged the existing pension system in many ways.</p> <p>However, even though we welcome EIOPA's thoughts about transition measures and grandfathering, we want to make clear that these measures can't be a substitute for the consideration of all specificities of IORPs (such as security and adjustment mechanisms) in a future framework. See our General Comments for an explanation of "HBS/HPF".</p>	Noted. Please see the EIOPA response on row 3820.
3.856.	Jane Marshall Consulting	Q98	Existing IORPS should be exempt from any EU prudential regime where there is a robust national regulatory and legal framework. For clarity, we believe that the UK has such a framework.	Noted. Please see the EIOPA response on row 3820.
3.859.	NAPF	Q98	Q98: In the stakeholders' view is there scope for transitional measures in order to mitigate the potential impact of a possible EU prudential regime on existing contractual agreements and national social and labour law?	Noted. Please see the EIOPA response on row 3820.

			<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 lengthy transition period would be essential in order to enable schemes to adjust to the requirements of the Holistic Balance Sheet, especially if it were to be used as the basis of capital requirements. The NAPF would suggest at least 10 years.</p> <p>Furthrmore, schemes should have the option of applying the Holistic Balance Sheet to future accruals only – the ‘grandfathering’ option mooted in paragraph 5.139.</p>	
3.862.	Otto Group	Q98	<p>If new quantitative elements which are discussed in the paper should be introduced, than these should only apply to new entitlements. The application of such new rules will lead to a completely new business model for these new entitlements with considerably reduced benefit levels. Additionally we believe that introduction of such new rules will lead to closings of several IORPs.</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3820.</p>
3.863.	Pensioenfederatie	Q98	<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</p>	<p>Please see the EIOPA response on row 3820.</p>

			<p>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 are against EIOPA interfering with national social and labour law.</p>	
3.864.	PensionsEurope	Q98	<p>In the stakeholders' view is there scope for transitional measures in order to mitigate the potential impact of a possible EU prudential regime on existing contractual agreements and national social and labour law?</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>First of all, PensionsEurope is against EIOPA interfering with national social and labour law(s).</p> <p>Then, in order to answer this question we should better understand the impact of the possible EU prudential regime on contracts and</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3820.</p>

			<p>national social and labour law(s). Not only the framework is still unclear (use of the holistic balance sheet, level A versus level B, etc.) but apart of some possible scenarios so far there is no information about the future supervisory actions. Once the impact is known we can answer questions about the transition, the length of transitional measures, the grandfathering, etc.</p> <p>If new quantitative elements were to be introduced, these should only apply to new members. Existing successful IORPs should be able to continue their work as they used to. We understand this means new accruals would be ring-fenced.</p> <p>We would like to emphasise that transitional measures are not an alternative to including security mechanisms in the HBS: Security mechanisms need to be included, and adequate transitional measures have to be developed.</p> <p>The application of such new rules will lead to a completely new business model for these new members with, we think, considerably reduced benefit levels. Additionally we warn that introduction of such new rules will lead to closings of several IORPs and will reduce DB promises.</p>	
3.865.	PERNOD-RICARD	Q98	<p>Q98: In the stakeholders' view is there scope for transitional measures in order to mitigate the potential impact of a possible EU prudential regime on existing contractual agreements and national social and labour law?</p>	<p>Noted. Please see the EIOPA response on row 3820.</p>

			We believe the impact of a possible future European prudential framework would be inappropriate if applied to existing schemes and would have a significant adverse effect on long term investment growth and job prospects. If such a framework were, however, to be introduced, we would wholeheartedly support the use of grandfathering to reduce the impact. The new requirements should not apply to either the accrued rights or future rights under any scheme established before any such rules potentially come into force. In the absence of explicit grandfathering then we would strongly support the use of lengthy transitional periods to reduce the impact of any future possible EU prudential regime. This would allow IORPs, investment markets and labour markets to adapt to a new framework and develop appropriate responses in as cost-efficient a manner as is possible	
3.866.	Punter Southall	Q98	Whilst we do not support the introduction of a holistic balance sheet funding regime to IORPs, if such a regime were to be introduced then a lengthy transition period and the exclusion of accrued benefits would be essential.	Noted. Please see the EIOPA response on row 3820.
3.869.	RPTCL	Q98	As per our answer to Q97, we suggest that any framework is not applied to either the accrued rights or future rights of any IORPs established before any such rules potentially come into force. In the absence of such an approach, we would strongly support the use of lengthy (minimum 10 years) transitional periods to reduce the impact of any future possible EU prudential regime. This will allow IORPs, investment markets and labour markets to adapt to a new framework and develop appropriate responses in as cost-efficient a manner as is possible.	Noted. Please see the EIOPA response on row 3820.
3.870.	Siemens Pensionsfonds	Q98	If new quantitative elements which are discussed in the paper should be introduced, than these should only apply to new entitlements. The application of such new rules will lead to a	Noted. Please see the EIOPA

			completely new business model for these new entitlements with considerably reduced benefit levels. Additionally we believe that introduction of such new rules will lead to closings of several IORPs.	response on row 3820.
3.871.	Society of Pension Professionals	Q98	<p>In the stakeholders' view is there scope for transitional measures in order to mitigate the potential impact of a possible EU prudential regime on existing contractual agreements and national social and labour law?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>In the absence of grandfathering then we strongly support the use of lengthy transitional periods to reduce the impact of any future</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3820.</p>

			possible EU prudential regime. This will allow IORPS, investment markets and labour markets to adapt to a new framework and develop appropriate responses in as cost-efficient a manner as is possible.	
3.873.	Towers Watson	Q98	<p>In the stakeholders' view is there scope for transitional measures in order to mitigate the potential impact of a possible EU prudential regime on existing contractual agreements and national social and labour law?</p> <p>In the absence of grandfathering then we strongly support the use of lengthy transitional periods to reduce the impact of any future possible EU prudential regime. This will allow IORPS, investment markets and labour markets to adapt to a new framework and develop appropriate responses in as cost-efficient a manner as is possible.</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3820.</p>
3.874.	United Utilities Group	Q98	<p>Q98: In the stakeholders' view is there scope for transitional measures in order to mitigate the potential impact of a possible EU prudential regime on existing contractual agreements and national social and labour law?</p> <p>We do not believe that the case has been made for a possible EU prudential regime based on the holistic balance sheet. However, if such a regime were to be introduced (and especially if the holistic balance sheet were to be used for Pillar 1 funding/solvency requirements), then an appropriate transitional regime would be essential to avoid major impacts on pension schemes, sponsors and long-term investment markets.</p> <p>We therefore agree that benefits that were accrued prior to the introduction of a holistic balance sheet approach should be</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3820.</p>

			<p>excluded from the new EU regime.</p> <p>We would also favour a long transition period for employers to adapt their pension provision to fit the new regime.</p>	
3.875.	USS Limited	Q98	<p>Grandfathering would mean that existing IORPs would not be subject to the new HBS regime at all, or at least in respect of benefits accrued to date. If a HBS approach was introduced, this would be essential in our view because of the unique nature of the pension promise that has been entered into (by the member, sponsor and IORP) at a point in the past when a certain funding regime applied. It would be inappropriate to now impose a new regime on existing promises; existing members would be inadvertently caught by the new regime and regimes built for the long term, commonly understood by all, would be disturbed.</p> <p>In the absence of grandfathering, there would be significant implications for IORPs and the European economy (as referred to in questions 72 and 99).</p> <p>Any transitional arrangements – other than grandfathering – would be welcomed in order to minimise the impact of the HBS approach on IORPs. However, some variants of the HBS outlined in the consultation document (see question 99) are simply unaffordable and, in such circumstances, any transitional arrangements would have little or no value.</p> <p>Although the comparisons between solvency II for the insurance</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3820.</p>

			<p>industry and HBS for the pensions industry are not appropriate, it is noteworthy that solvency II has taken many years to develop and finalise. Any equivalent changes within the pensions industry should not be rushed.</p> <p>Importantly, the impact of implementing the HBS should not simply be viewed as a technical exercise and this is evident in question 72.</p>	
3.876.	ZVK-Bau	Q98	<p>As described in our answer to Q97 for schemes based on collective equivalence we do not see any mitigation techniques.</p>	<p>Noted.</p> <p>Please see the EIOPA response on row 3820.</p>
3.877.	OPSG	Q99	<p>This approach does not seem feasible in MS where the existing prudential framework is not already closely aligned to the insurance framework.</p> <p>As pointed out in the discussion:</p> <ul style="list-style-type: none"> <input type="checkbox"/> This solvency framework seriously interferes with existing pension schemes contracts and national social and labour law in a number of member states; <input type="checkbox"/> It will discourage sponsors from providing pension promises for future membership in many countries and may lead to the reduction of accrued pension rights; <input type="checkbox"/> Due to exclusion of protection schemes there is a misstatement of the level of protection. <input type="checkbox"/> The short term recovery period could lead to a possible 	<p>Noted.</p> <p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>

			<p>increase in sponsor insolvency</p> <p><input type="checkbox"/> This approach could have a negative impact on long term investment and the EU growth agenda.</p> <p>In addition it requires a very long transitional period and/or grandfathering measures.</p> <p>The OPSG would comment that:</p> <p><input type="checkbox"/> Whilst in theory this approach would facilitate the use of cross border IORPs, this would probably be more than counteracted by the withdrawal of defined benefit provision by employers who might otherwise have considered establishing a cross border or pan-European IORP.</p> <p><input type="checkbox"/> Whilst member protection would clearly be improved, in many cases the level of the pension promise may have to be reduced to remain affordable, and it is questionable whether members are better served by a lower benefit promise with a high levels of security, or a higher benefit promise with a greater risk that this will not be delivered (provided the risks are fully disclosed and managed appropriately).</p> <p><input type="checkbox"/> The treatment of conditional and mixed benefits seems inappropriate: the requirement that assets held are sufficient to hedge mismatch risk on financial markets in relation to these benefits is impractical so in practice these would have to be capable of being transferred to another undertaking (probably an insurance company) in which event they may become guaranteed (or at least subject to different conditions/discretions) so that there would be a change in the pension promise.</p>	
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			<p>Some negative impact of this approach could be overcome if:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Level B technical provisions are considered; <input type="checkbox"/> Long term recovery period are admitted; <input type="checkbox"/> Protection schemes are accounted for. 	
3.878.	100 Group of Finance Directors	Q99	<p>Q99: Do stakeholders have any general comments on (the description of) example 1?</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 noted in the consultation paper itself, Example 1 would 'seriously interfere' with existing pension schemes, especially in those member states with large defined benefit liabilities. It would also discourage sponsors from providing pension promises in the future (except where required to do so by legislation). We regard this example as highly damaging for pension schemes, and unlikely to be possible to implement successfully in practice.</p>	<p>Noted.</p> <p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.879.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q99	<p>General Remarks applying to all six examples:</p> <p>No additional requirements which do not make occupational pensions more secure but add extra cost</p> <p>Every move towards a system that places more unnecessary</p>	Noted.

			<p>burdens on IORPs and their sponsoring undertakings must take into account that in times where most European societies undergo demographic change, occupational pension systems should be strengthened rather than weakened. Every increase in the costs of providing occupational pensions decreases an employer's willingness to provide this important social benefit. This is even more the case in Member States like Germany, where the provision of occupational pensions is done on a voluntary basis. It should also be kept in mind that any additional regulatory requirement imposed on IORPs will result in costs which will be borne mostly by beneficiaries and members. As a result, higher costs either on the employer's or on the employee's side are likely to lead to a decrease in benefit level and coverage of occupational pension plans – without making them any more secure than they are today.</p> <p>From our perspective it is right that the experience of the financial crisis led to an analysis of systemic risk in the financial markets. In the area of banking, this has led to additional regulation: because banks lend money to each other, the default of one bank makes the default of other banks more likely. These links between banks have been addressed by regulation. However, from our perspective it is not right to now apply similar regulation to insurance companies and IORPs. Neither insurance companies nor IORPs lend money to each other; one institution going bankrupt does not increase the likelihood of other institutions going bankrupt as well. Beyond this, IORPs (in contrast to insurance companies) benefit from a guarantee given by the sponsoring employer, and are governed by social and labour law. Therefore, it would neither increase financial stability nor the security of occupational pensions to introduce Solvency-II-style capital requirements – it would only add additional costs.</p> <p>We strongly oppose the introduction of any new requirements which do not make occupational pensions more secure but add</p>	<p>Noted.</p> <p>Noted.</p>
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		<p>extra costs, because these additional costs would make it less attractive for employers to offer occupational pensions, as already stated above. In this context, we welcome the insight of EIOPA that it may be better for members and beneficiaries if sponsors invest in their own business to ensure the pension promises in the long run instead of transferring additional funds into its IORP when an (“artificial” short term) underfunding situation occurs (p. 71 of the EIOPA Consultation Paper).</p> <p>We overall would like to emphasise that our response, which discusses the specific points as raised by EIOPA, does not mean that we support the overall concept – we do not.</p> <p>Why the HBS is not a suitable regulatory instrument</p> <p>We recognize that EIOPA has tried to address our previous criticism that the Solvency-II-approach does not do justice to the special characteristics of IORPs. The current Consultation Paper undertakes an attempt to improve on the shortcomings of the HBS approach in particular on the valuation of sponsor support by delivering further valuation approaches (i.e. the balancing item approach) and it tackles the urgent question of how the HBS approach is going to be used as a regulatory instrument.</p> <p>We welcome that EIOPA for the first time discusses the central question of the regulatory function of the HBS (trigger points, funding requirements and EU-wide rules for SCR, tiering of assets, recovery period) although we think that should have been answered on a much earlier stage before all the in-depth-analysis of the HBS elements.</p> <p>No recognition of social and labour law</p> <p>Despite these improvements, we not only oppose the general idea of introducing new solvency requirements for IORPs, but also the HBS approach as proposed. It must be noted that the HBS</p>	<p>Noted.</p> <p>Noted.</p>
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		<p>approach does not adequately account for the social character of IORPs (as opposed to the mostly commercial character of insurance companies) and is therefore not appropriate. In other words, it neglects that the members of IORPs are embedded in the protection of labour, social and co-determination law. Discussing the EU's existing supervisory architecture (European system of financial supervisors; ESFS), occupational pensions were only mentioned in the De-Larosière-Report from 2009 in relation to IAS 19; in a speech by Jacques De Larosière at the Public Hearing on Financial Supervision in the EU they were not even mentioned (Public hearing on Financial Supervision in the EU, Brussels, 24 May 2013). On this background it is presumptuous that the EIOPA Consultation suggests that Member States should adjust their national social and labour law so that it would be compatible with potentially new prudential regulation: "If EU prudential requirements were amended, Member States may need to adjust their social and labour law in order to ensure that their overall framework continues to reflect the previously agreed objectives." (p. 114 of the EIOPA Consultation Paper). We strongly oppose the idea that prudential law should trump social and labour law.</p> <p>The "balancing item approach" and the valuation of sponsor support</p> <p>We in general welcome the introduction of the "balancing item approach" (BIA), with respect to sponsor support in combination with a model which is similarly simple as the PwC model ("M" approach) and which would not require calculating the HBS (for the "M" approach this is needed), but rather rely on a simpler measure (e.g. technical provisions). But we strongly suggest – if the HBS should be introduced at all – that in cases of a strong sponsor, a multi-employer-scheme (MES) or existence of other security mechanism) as balancing items, that there should be no requirement to explicitly set up an HBS. In particular, these factors not should lead to any Solvency II-style capital requirements.</p>	<p>Noted.</p> <p>Noted.</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 (incl. using the risk free interest rates) is not needed anymore 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. 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 acting in solidarity.</p> <p>In those cases where the HBS approach includes existing security mechanisms such as sponsor support, pension protection schemes, benefit reductions and where the HBS is used to trigger regulatory actions (recovery plans) the question remains: which regulatory options are available within a recovery plan at all in case of a shortfall within the HBS since all security mechanisms are already included?</p> <p>Market consistent valuation: Not appropriate and not necessary for IORPs</p> <p>We generally consider the so called market-consistent approach inadequate for liabilities with such long durations. Any valuation and risk management that is based solely on a market value approach sets the wrong incentives for those running the institution. 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</p>	<p>Noted.</p>
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			<p>4.5.6. stating huge differences between resulting values of sponsor support given the modelling approach).</p> <p>Transparency in the second pillar is not the same as in the third pillar – or, in other words, as for financial products. We are aware of the trend towards DC, however, we would like to point out that in many Member States there is a large legacy of DB schemes which will pay out pensions over decades to come. In addition, there isn't only pure DC, but also hybrid schemes where the risk is shared between the stakeholders. In Germany for example, there are currently no pure DC schemes at all, the employer is always liable to ensure that the pension promise made is kept. This means the employer has a strong interest that the IORP is efficient and sustainable. With these mechanisms, the need for detailed information for the beneficiaries is reduced. Transparency requirements therefore need to be tailored to fit those schemes – they cannot just be copied from financial products.</p> <p>In addition, we would also like to point out that transparency needs to be treated carefully in this context. Sponsor support is an important security mechanism for IORPs. However, publishing detailed information around a specific situation might impact on the rating of the sponsoring employer. Second, if the members and beneficiaries e.g. do not have any choices regarding the investment strategy, there is little benefit in informing them about the funding ratio and potential measures taken to address underfunding. When occupational pensions are provided by the employer to the employee, there is no need to publish certain information like detailed cost information. The employer is not competing with pension providers to win the most customers, but rather providing a social service to their employees, which in Germany is governed by labour and social law. It is important to disclose certain information to the national supervisor (in Germany BaFin), but not to the public.</p>	<p>will stimulate discussion between knowledgeable stakeholders – such as employers, unions, institutional investors and government. As such, public disclosure will encourage reform.</p>
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			<p>The HBS dilemma: if it is sound, it isn't practical; and if it is workable, its results are questionable</p> <p>While without doubt EIOPA has invested a lot of time in the HBS, we do not think that the presented concept is to any degree satisfactory: the parts which are intellectually coherent are impossible for IORPs to comply with given their limited resources (stochastic modelling, also some of the simplifications); where simplifications have been introduced, the appropriateness of those simplified heuristics and the chosen parameters is doubtful and thus the intended goal of comparability of results is highly questionable (see again 4.145 and EIOPA' s own analysis in section 4.5.6. stating huge differences between resulting values of sponsor support given different modelling approach). From a practical perspective more simplifications would be better – but even as it stands at the moment it is not clear what the derived figures would show and what they could be used for. This illustrates the dilemma of the HBS: to get the HBS workable simplifications are needed (as apposed to a precise valuation of IORP's security mechanisms), but that would challenge the whole approach. Thus even if we were supportive of the introduction of the HBS, this would not be a suitable approach.</p> <p>While we recognise that EIOPA has tried to incorporate some of the specific features of occupational pensions into the HBS, the approach remains completely inadequate as an instrument for the supervision of IORPs.</p> <p>Regarding example 1:</p>	<p>Disagreed. Although Example 1 is the closest to the Solvency II framework, there are several differences (among them, the inclusion of the sponsor support and ex-ante reductions of benefits on the balance sheet).</p> <p>Noted.</p>
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		<p>Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is not possible for us to provide a final assessment of any of the presented examples.</p> <p>Example 1 is the Solvency II model. In the past as well as in this consultation response we have presented a number of arguments against the application of the Solvency II framework to IORPs. Amongst other things, the omission of pension protection schemes, the Level A funding requirements and the short recovery periods are unacceptable for reasons discussed in this consultation response.</p> <p>Generally, we want to emphasise that those examples for the use of the HBS where actually financial assets are required against Level A technical provisions and only SCR may be covered by Sponsor Support or PPS (i.e. example 1) the main driver of the quantitative impact of the proposed regulations will be market consistent valuation and the risk free discount rate used to calculate the best estimate of liabilities. The remaining items are less influential. The consequences would be – as analysed by EIOPA too, see i.e. 5.86, 5.177, 5.179 and 5.188 – an enormous cost increases for sponsors (and not only recognized as balance sheets items for IORPs) as well as detrimental macroeconomic effects result:</p> <p><input type="checkbox"/> increased call on business funds, due to the role of</p>	<p>Noted.</p> <p>Noted.</p>
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		<p>employers as guarantors of 'defined benefit' pensions in several EU Member States</p> <ul style="list-style-type: none"> <input type="checkbox"/> Consequences of additional funding: significant negative impact on capital spending, corporate cash flow, corporation tax payments, wages and employment <input type="checkbox"/> more modest impacts on employee pension contributions, procurement, prices and dividend payments <p>Beyond the economic implications, a material impact on social, co-determination and labour law is not acceptable.</p> <p>See also our answer to Q85 on this topic.</p> <p>The answer to Q 85 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</p>	
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			<p>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 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>	
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			<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 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 somme 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 	
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			<input type="checkbox"/> Up to 180,000 job losses p.a. 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 <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)	
3.880.	ACA	Q99	We do not see any evidence that this would stimulate cross-border activity. Indeed, when combined with the impact of Article 13(5) of the current IORP II agreed Council draft providing transferring regulators with a blanket veto on transfer of assets cross-border this will kill DB cross-border activity.	Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.
3.881.	Actuarial Association of Europe	Q99	We believe that any approach adopted should aim not to alter to a material extent the strength of any 'pension promise' that has already been agreed between employer and employee. As noted above (and as explained in the Consultation Paper) the strength of the 'pension promise' in relation to benefits that have already been accrued depends partly on how these benefits will be financed (including how much has already been accumulated in an IORPS to support the benefits) and partly on the impact of any additional security mechanisms supporting the promised benefits (such as sponsor support, pension protection schemes and conditionality in benefits).	Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.

			<p>It seems to us that adhering to this principle means that:</p> <p>(a) The selected approach will in practice need largely to retain existing member-state specific valuation standards, minimum funding requirements and accompanying recovery periods etc. for benefits already accrued to date or to be accrued in future under existing promises (i.e. for current employees). Otherwise, either the employer or the employee may object that the promise being provided (and hence its value) is being retrospectively altered to his or her disadvantage (with the impact not necessarily being uniform even within a given member state).</p> <p>(b) However, any reasonable approach could be adopted for benefits yet to be accrued or already promised. If politicians so wished (and EU treaties permitted) then this could include an approach that aimed to harmonise the strength of the 'pension promise' across member state for such benefits. Harmonisation might be considered desirable to reduce the likelihood that benefit provision will migrate to member states or structures that offer the least security of benefits. It might also be considered desirable to maximise the transparency and comparability of the 'pension promise' across the EU or from other cross-border perspectives. Conversely, it might be considered undesirable because it might impact too much on social and labour law within individual member states and if taken to its logical extreme would also favour harmonising where practical the underlying security mechanisms etc.. Any such harmonisation should ideally refer to a full HBS that takes into account all contributions to the strength of the pension promise.</p>	
3.882.	AEIP	Q99	This framework is not usable, since it contains some inconsistent	Noted.

			<p>elements . It includes an SCR, some options are left out of the balance sheet, thus causing inconsistencies in the valuation of the options on the HBS including inappropriate uniform recovery periods. In addition, this recovery period is very short, which does not do justice to the long-term nature of IORPs.</p> <p>We would like to note that we think that the SCR is not compatible with the HBS (see above). As all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can be developed.</p>	<p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.883.	AGV Chemie	Q99	See General remarks above	Noted.
3.884.	Aon Hewitt	Q99	Using this method, including the use of Level A as a minimum, could have an unwelcome material impact on sponsors of IORPs. It would also discourage investment in long-term assets, which would go against other EU growth objectives.	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.885.	Association of Pension Lawyers	Q99	This approach would be far removed from the current system being operated by IORPs in the UK, would lead to significant difficulties for the sponsors of those IORPs and could have a significant negative effect on the UK economy.	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.886.	BAPI	Q99	<p>Q99: Do stakeholders have any general comments on (the description of) example 1?</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</p>	

		<p>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 HBS as defined in example 1 to set the funding and capital requirements is not appropriate for IORPs. As stated before, BAPI believes the HBS might be a possible risk management tool but is inappropriate to set capital requirements. BAPI believes the HBS is presented as a market consistent approach although BAPI is convinced some items on the HBS show artificial/questionable values e.g. sponsor support, pension protection schemes, risk margin, etc. The use of technical provisions at Level A in a HBS which is used to determine the level of financial assets as well as the capital requirements is not in line with the long term liabilities of an IORP. This Level A approach might be used for risk management but is inappropriate for setting capital requirements. BAPI still questions the appropriateness of the SCR and the risk margin both copy/pasted from Solvency II. The SCR is not in line with the long term nature of the IORP's liabilities (also a problem for life insurance). A risk margin is only valuable when the transferability of the liabilities could be an issue on the market, which is not the case in the context of Belgian IORPs. BAPI</p>	<p>Noted.</p> <p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
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			welcomes in this scenario non-legally sponsor support can be used but questions the inclusion of pure conditional and mixed benefits in the technical provisions. It is also unclear why pension protection schemes and some benefit reduction mechanisms are not taken into account. The recovery period is far too short given the long term nature of the liabilities and will impose drastic measures to remedy this situation as the HBS shows that at the moment all obvious methods are exhausted.	
3.887.	BASF SE	Q99	<p>The given list of negative effects of this regime is quite comprehensive. Especially the requirement to react in time periods shorter than 1 year will raise serious difficulties in an (artificial) underfunding situation. E.g., it is in no way adequate to apply an ex-ante benefit reduction in cases where enough sponsors support would be available. Moreover, a material impact on social, co-determination and labour law is not acceptable. It is correct that this framework would discourage sponsors from future providing occupational pension promises in the future and will even lead them to close existing systems. The introduction of such a regime would counteract any ambition to further spread pensions in Europe.</p> <p>A supervisory framework similar to the one described in example 1 is not acceptable.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.888.	BDA	Q99	See General remarks above	Noted.
3.889.	British Telecommunications plc	Q99	<p>Q99: Do stakeholders have any general comments on (the description of) example 1?</p> <p>As noted in the consultation paper itself, Example 1 would 'seriously interfere' with existing IORPs, especially in those member</p>	Noted.

			states with large defined benefit liabilities. It would also discourage sponsors from providing pension promises in the future (except where required to do so by legislation). We regard this example as highly damaging for pension schemes, and unlikely to be possible to implement successfully in practice.	EIOPA decided not to move forward with a proposal of new pillar 1 framework.
3.890.	Candriam	Q99	<p>Do stakeholders have any general comments on (the description of) example 1?</p> <p>We believe several parts of the HBS cannot be sensibly calculated. In particular, we doubt one could give any realistic valuation of sponsor support. Enterprise valuation is quite a complex matter, for example, to our knowledge, around half of the mergers and acquisitions fail to produce expected results, what certainly shows that even professionals may not properly evaluate enterprises. The case of schemes sponsored by multiple employers, multinational companies and state related companies is even more complex.</p> <p>Example 1 does not fit the purpose of providing long term benefits by any mean. First, the one-year time recovery is not a sensible horizon to restore funding level because in general scheme members cannot leave the plan before retirement age without enduring severe reduction of their pension rights. It is therefore more sensible for members and sponsors to spread recovery over time. A 1 year time horizon could have a disastrous financial impact on sponsors and pensioners if benefits can be reduced.</p> <p>Second, as of now the cost of financing pensions in this framework</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p> <p>Noted.</p>

			<p>would deter sponsors to provide any form of guarantee to their members, which would be detrimental to the promotion of a strong second pillar in Europe.</p> <p>Third, the combination of volatile market valuation and short time recovery period could lead to short termism of pension institutions. Long term investments would be hampered by such a framework.</p>	
3.891.	Compass Group PLC	Q99	<p>Q99: Do stakeholders have any general comments on (the description of) example 1?</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>As noted in the consultation paper itself, Example 1 would 'seriously interfere' with existing pension schemes, especially in those member states with large defined benefit liabilities. It would also discourage sponsors from providing pension promises in the future (except where required to do so by legislation). We regard this example as highly damaging for pension schemes, and unlikely to be possible to implement successfully in practice.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.892.	D & L Scott	Q99	<p>I have earlier commented at length on the limitations of matching concepts at Q48 above.</p>	<p>Noted.</p>

			<p>I note «a 1-year horizon» underlying the SCR calculation which seems to me to be both inflexible and unworkable. I would also refer you to my answer at Q94 above.</p> <p>The solutions are expressed in terms of the sponsor financing the IORP up to the required level within one year. Such solutions would not work in the shared cost form of IORP I described earlier at Q72, or would only «work» with members facing unacceptable levels of contribution.</p> <p>Why have EIOPA not gone beyond a balance sheet approach by looking at cash flow forecasts and other elements to be found within a «complete financial management plan»?</p>	<p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.893.	EAPSPI	Q99	<p>EAPSPI highlights that those examples for the use of the HBS where financial assets are actually required against Level A technical provisions and only SCR may be covered by Sponsor Support or PPS (i.e. example 1), the main driver of the quantitative impact of the proposed regulations will be market consistent valuation and the risk free discount rate used to calculate the best estimate of liabilities. The remaining items are less influential. The consequences would be – as analysed by EIOPA too, see 5.86, 5.177, 5.179 and 5.188 – an enormous cost increase for sponsors (and not only recognized as balance sheets items for IORPs) as well as detrimental macroeconomic effects:</p> <p><input type="checkbox"/> increased call on business funds, due to the role of employers as guarantors of 'defined benefit' pensions in several EU states</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>

			<input type="checkbox"/> among the consequences of additional funding: significant negative impacts on capital spending, corporate cash flow, corporation tax payments, wages and employment <input type="checkbox"/> more modest impacts are likely on employee pension contributions, procurement, prices and dividend payments See also EAPSPI'S answer to Q85 on this topic.	
3.894.	Eversheds LLP	Q99	<p>Eversheds does not support the introduction of the Holistic Balance Sheet, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>Eversheds would argue strongly that the paper should have a further example – example 7 – which would be a 'no change' option. It is disappointing that, throughout the document, there appears to be a presumption in favour of change. 'No change' should also be available as a policy option.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p> <p>Noted.</p>
3.895.	Evonik Industries AG	Q99	See General remarks above	Noted.
3.896.	GDV	Q99	<p>Do stakeholders have any general comments on (the description of) example 1?</p> <p>Example 1 does not appropriately take into account the economically relevant specificities of IORPs such as sponsor support, pension protection schemes and benefit adjustment mechanisms. Therefore, it does not reflect activities of IORPs</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>

			related to the scheme appropriately.	
3.898.	Heathrow Airport Limited	Q99	<p>Q99: Do stakeholders have any general comments on (the description of) example 1?</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 noted in the consultation paper itself, Example 1 would 'seriously interfere' with existing pension schemes, especially in those member states with large defined benefit liabilities. It would also discourage sponsors from providing pension promises in the future (except where required to do so by legislation). We regard this example as highly damaging for pension schemes, and unlikely to be possible to implement successfully in practice.</p>	<p>Noted.</p> <p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.899.	Hoechst-Gruppe VVaG	Q99	<p>General Remarks applying to all six examples:</p> <p>No additional requirements which do not make occupational pensions more secure but add extra cost</p> <p>Every move towards a system that places more unnecessary burdens on IORPs and their sponsoring undertakings must take into account that in times where most European societies undergo demographic change, occupational pension systems should be strengthened rather than weakened. Every increase in the costs of providing occupational pensions decreases an employer's</p>	Noted.

			<p>willingness to provide this important social benefit. This is even more the case in Member States like Germany, where the provision of occupational pensions is done on a voluntary basis. It should also be kept in mind that any additional regulatory requirement imposed on IORPs will result in costs which will be borne mostly by beneficiaries and members. As a result, higher costs either on the employer's or on the employee's side are likely to lead to a decrease in benefit level and coverage of occupational pension plans – without making them any more secure than they are today.</p> <p>From our perspective it is right that the experience of the financial crisis led to an analysis of systemic risk in the financial markets. In the area of banking, this has led to additional regulation: because banks lend money to each other, the default of one bank makes the default of other banks more likely. These links between banks have been addressed by regulation. However, from our perspective it is not right to now apply similar regulation to insurance companies and IORPs. Neither insurance companies nor IORPs lend money to each other; one institution going bankrupt does not increase the likelihood of other institutions going bankrupt as well. Beyond this, IORPs (in contrast to insurance companies) benefit from a guarantee given by the sponsoring employer, and are governed by social and labour law. Therefore, it would neither increase financial stability nor the security of occupational pensions to introduce Solvency-II-style capital requirements – it would only add additional costs.</p> <p>We strongly oppose the introduction of any new requirements which do not make occupational pensions more secure but add extra costs, because these additional costs would make it less attractive for employers to offer occupational pensions, as already stated above. In this context, we welcome the insight of EIOPA that it may be better for members and beneficiaries if sponsors invest in their own business to ensure the pension promises in the long run</p>	<p>Noted.</p> <p>Noted.</p>
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			<p>instead of transferring additional funds into its IORP when an (“artificial” short term) underfunding situation occurs (p. 71 of the EIOPA Consultation Paper).</p> <p>We overall would like to emphasise that our response, which discusses the specific points as raised by EIOPA, does not mean that we support the overall concept – we do not.</p> <p>Why the HBS is not a suitable regulatory instrument</p> <p>We recognize that EIOPA has tried to address our previous criticism that the Solvency-II-approach does not do justice to the special characteristics of IORPs. The current Consultation Paper undertakes an attempt to improve on the shortcomings of the HBS approach in particular on the valuation of sponsor support by delivering further valuation approaches (i.e. the balancing item approach) and it tackles the urgent question of how the HBS approach is going to be used as a regulatory instrument.</p> <p>We welcome that EIOPA for the first time discusses the central question of the regulatory function of the HBS (trigger points, funding requirements and EU-wide rules for SCR, tiering of assets, recovery period) although we think that should have been answered on a much earlier stage before all the in-depth-analysis of the HBS elements.</p> <p>No recognition of social and labour law</p> <p>Despite these improvements, we not only oppose the general idea of introducing new solvency requirements for IORPs, but also the HBS approach as proposed. It must be noted that the HBS approach does not adequately account for the social character of IORPs (as opposed to the mostly commercial character of insurance companies) and is therefore not appropriate. In other words, it neglects that the members of IORPs are embedded in the protection of labour, social and co-determination law. Discussing</p>	<p>Noted.</p> <p>Noted.</p>
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			<p>the EU's existing supervisory architecture (European system of financial supervisors; ESFS), occupational pensions were only mentioned in the De-Larosière-Report from 2009 in relation to IAS 19; in a speech by Jacques De Larosière at the Public Hearing on Financial Supervision in the EU they were not even mentioned (Public hearing on Financial Supervision in the EU, Brussels, 24 May 2013). On this background it is presumptuous that the EIOPA Consultation suggests that Member States should adjust their national social and labour law so that it would be compatible with potentially new prudential regulation: "If EU prudential requirements were amended, Member States may need to adjust their social and labour law in order to ensure that their overall framework continues to reflect the previously agreed objectives." (p. 114 of the EIOPA Consultation Paper). We strongly oppose the idea that prudential law should trump social and labour law.</p> <p>The "balancing item approach" and the valuation of sponsor support</p> <p>We in general welcome the introduction of the "balancing item approach" (BIA), with respect to sponsor support in combination with a model which is similarly simple as the PwC model ("M" approach) and which would not require calculating the HBS (for the "M" approach this is needed), but rather rely on a simpler measure (e.g. technical provisions). But we strongly suggest – if the HBS should be introduced at all – that in cases of a strong sponsor, a multi-employer-scheme (MES) or existence of other security mechanism) as balancing items, that there should be no requirement to explicitly set up an HBS. In particular, these factors not should lead to any Solvency II-style capital requirements.</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 (incl. using the risk free interest rates) is not needed anymore because the strength of</p>	<p>Noted.</p> <p>Noted.</p>
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			<p>And in addition a transfer of liabilities to other market actors (see i.e. EIOPA 5.83) is – unlike in the insurance sector – not relevant because of the existing security mechanisms of IORPs which are actually to be assessed by the HBS. In particular, 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 early cancellations. By maintaining the Solvency II structure, the HBS itself is not an appropriate approach for IORPs. The fact that security mechanisms of occupational pensions are considered at a later stage may not solve this general problem.</p> <p>Sustainability and transparency</p> <p>We understand that for EIOPA these two goals are essential and related to each other. We share these principles, but the instruments of the HBS approach are not appropriate to reach them. Regarding sustainability, we do not feel that the push towards DC which the HBS would bring about (see below) would make the overall pension system more sustainable – to the contrary. Transferring the risks to those who are least able to bear them, i.e. individuals, is socially not desirable.</p> <p>We generally support transparency, but we do not think that the HBS approach is the right way to support it. Because of the increasing number of valuation methods and options with respect to recognised cash flows used within the HBS, the HBS gets more and more complex and does not lead to more transparent and comparable results (see 4.145 and EIOPA’ s own analysis in section 4.5.6. stating huge differences between resulting values of sponsor support given the modelling approach).</p> <p>Transparency in the second pillar is not the same as in the third</p>	<p>Noted.</p> <p>Disagreed.</p> <p>In EIOPA’s view, the common framework should be more than an “internal” risk management tool. It must be subject to public disclosure.</p> <p>EIOPA is convinced that public disclosure will stimulate discussion between knowledgeable stakeholders – such as employers, unions,</p>
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		<p>pillar – or, in other words, as for financial products. We are aware of the trend towards DC, however, we would like to point out that in many Member States there is a large legacy of DB schemes which will pay out pensions over decades to come. In addition, there isn't only pure DC, but also hybrid schemes where the risk is shared between the stakeholders. In Germany for example, there are currently no pure DC schemes at all, the employer is always liable to ensure that the pension promise made is kept. This means the employer has a strong interest that the IORP is efficient and sustainable. With these mechanisms, the need for detailed information for the beneficiaries is reduced. Transparency requirements therefore need to be tailored to fit those schemes – they cannot just be copied from financial products.</p> <p>In addition, we would also like to point out that transparency needs to be treated carefully in this context. Sponsor support is an important security mechanism for IORPs. However, publishing detailed information around a specific situation might impact on the rating of the sponsoring employer. Second, if the members and beneficiaries e.g. do not have any choices regarding the investment strategy, there is little benefit in informing them about the funding ratio and potential measures taken to address underfunding. When occupational pensions are provided by the employer to the employee, there is no need to publish certain information like detailed cost information. The employer is not competing with pension providers to win the most customers, but rather providing a social service to their employees, which in Germany is governed by labour and social law. It is important to disclose certain information to the national supervisor (in Germany BaFin), but not to the public.</p> <p>The HBS dilemma: if it is sound, it isn't practical; and if it is workable, its results are questionable</p>	<p>institutional investors and government. As such, public disclosure will encourage reform.</p>
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		<p>While without doubt EIOPA has invested a lot of time in the HBS, we do not think that the presented concept is to any degree satisfactory: the parts which are intellectually coherent are impossible for IORPs to comply with given their limited resources (stochastic modelling, also some of the simplifications); where simplifications have been introduced, the appropriateness of those simplified heuristics and the chosen parameters is doubtful and thus the intended goal of comparability of results is highly questionable (see again 4.145 and EIOPA' s own analysis in section 4.5.6. stating huge differences between resulting values of sponsor support given different modelling approach). From a practical perspective more simplifications would be better – but even as it stands at the moment it is not clear what the derived figures would show and what they could be used for. This illustrates the dilemma of the HBS: to get the HBS workable simplifications are needed (as apposed to a precise valuation of IORP's security mechanisms), but that would challenge the whole approach. Thus even if we were supportive of the introduction of the HBS, this would not be a suitable approach.</p> <p>While we recognise that EIOPA has tried to incorporate some of the specific features of occupational pensions into the HBS, the approach remains completely inadequate as an instrument for the supervision of IORPs.</p> <p>Regarding example 1:</p> <p>Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and</p>	<p>Disagreed. Although Example 1 is the closest to the Solvency II framework, there are several differences (among them, the inclusion of the sponsor support and ex-ante reductions of benefits on the balance sheet).</p> <p>Noted.</p>
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		<p>descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is not possible for us to provide a final assessment of any of the presented examples.</p> <p>Example 1 is the Solvency II model. In the past as well as in this consultation response we have presented a number of arguments against the application of the Solvency II framework to IORPs. Amongst other things, the omission of pension protection schemes, the Level A funding requirements and the short recovery periods are unacceptable for reasons discussed in this consultation response.</p> <p>Generally, we want to emphasise that those examples for the use of the HBS where actually financial assets are required against Level A technical provisions and only SCR may be covered by Sponsor Support or PPS (i.e. example 1) the main driver of the quantitative impact of the proposed regulations will be market consistent valuation and the risk free discount rate used to calculate the best estimate of liabilities. The remaining items are less influential. The consequences would be – as analysed by EIOPA too, see i.e. 5.86, 5.177, 5.179 and 5.188 – an enormous cost increases for sponsors (and not only recognized as balance sheets items for IORPs) as well as detrimental macroeconomic effects result:</p> <p><input type="checkbox"/> increased call on business funds, due to the role of employers as guarantors of 'defined benefit' pensions in several EU Member States</p>	<p>Noted.</p> <p>Noted.</p>
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			<p><input type="checkbox"/> Consequences of additional funding: significant negative impact on capital spending, corporate cash flow, corporation tax payments, wages and employment</p> <p><input type="checkbox"/> more modest impacts on employee pension contributions, procurement, prices and dividend payments</p> <p>Beyond the economic implications, a material impact on social, co-determination and labour law is not acceptable.</p> <p>See also our answer to Q85 on this topic.</p> <p>The answer to Q 85 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 somme 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. 	
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			<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) 	
3.900.	IFoA	Q99	No comment	Noted.
3.901.	IVS	Q99	<p>We are surprised that example 1 (as is the case for examples 2 and 5) even considers excluding taking account of PPS. In our opinion, there seems to be no justification whatsoever, to even consider such an option. Suggesting such radical concepts in 3 of the 5 quantitative regimes of the proposed regulatory frameworks begs the question whether the leadership at the Commission/EIOPA has understood the very basic concepts of IORPs. This is one of many examples that is not conducive to a constructive « working together » approach.</p> <p>Finally, it should not be forgotten that the cost/benefit analysis will in the final instance be made by the sponsoring employers with a direct effect on future generations.</p>	EIOPA decided not to move forward with a proposal of new pillar 1 framework.
3.902.	NAPF	Q99	<p>Q99: Do stakeholders have any general comments on (the description of) example 1?</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</p>	

			<p>and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We do not see any evidence that this would stimulate cross-border activity. Indeed, when combined with the impact of Article 13(5) of the proposed new IORP Directive as agreed in Council, which would give transferring regulators a blanket veto on the transfer of assets across borders, this would end DB cross-border activity.</p> <p>The NAPF would argue strongly that the paper should have a further example – example 7 – which would be a ‘no change’ option. It is disappointing that, throughout the document, there appears to be a presumption in favour of change. ‘No change’ should also be available as a policy option.</p>	<p>Noted.</p> <p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.904.	Otto Group	Q99	See General remarks above	Noted.
3.905.	Pensioenfederatie	Q99	As argued in the general remarks, the use of the HBS for capital requirements is conceptually wrong for several fundamental reasons. Firstly, requiring capital for conditional benefits will make them unconditional in practice as extra capital increases their value. This is a clear disincentive to take risk or to offer conditional benefits, especially for relatively rich funds. Secondly, an SCR has no place on the HBS as all benefits and financing methods are included in the HBS. Consequently, for a complete contract the HBS automatically balances, and a SCR would always imply a deficit on the EIOPA Balance Sheet (EBS = HBS+net SCR). Thirdly, as all	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>

			<p>recovery mechanisms have to be included in order to be able to calculate the HBS, any supervisory response cannot improve the HBS; there is no further recovery possible as the recovery plan is already included in the HBS. Apart from these fundamental problems the HBS is far too complex and subjective to be able to develop into a cost efficient and informative supervisory tool.</p> <p>As argued in the general remarks, the HBS might potentially add value as an instrument for risk management, but other and less costly methods (real world as opposed to risk-neutral simulations) would better achieve this goal. Simplifying methods to calculate the HBS or omitting certain elements on the HBS result in combinations of market-consistent and simplified prices. This however prevents achieving the HBS's objective.</p> <p>As argued in the general remarks, the HBS is not suited as an instrument for transparency in the relationship with participants as the current estimated market price of an option is not informative for them. The option cannot be traded, its price is highly volatile, and its value gives no clear information on the likelihood or size of, for instance, indexation, as option values are determined in the risk-neutral world whereas participants are only interested in the real world as they live in this world.</p> <p>This framework is not usable, since it contains some inconsistent elements . It includes an SCR and some options are left out of the balance sheet. This causes inconsistencies in the valuation of the options on the HBS including inappropriate uniform recovery periods. In addition, this recovery period is very short, which does not do justice to the long-term nature of IORPs.</p> <p>We would like to note that we think that the SCR is not compatible with the HBS . As all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can be developed.</p>	
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3.906.	PensionsEurope	Q99	<p>Do stakeholders have any general comments on (the description of) example 1?</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>First of all, PensionsEurope stresses that it is challenging to analyse the following examples from a pure European perspective. Indeed, every example could fit into one national pension system while being not acceptable at all for (an)other Member State(s). However, we try to provide a reliable answer for each of the examples while keeping in mind that the HBS, if it were to be introduced, should not harm existing – and sometimes very old – pension systems.</p> <p>Also, any assessment of an example of supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is very challenging for us to provide a final assessment of any of the presented examples.</p>	Noted.
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			<p>5.177, 5.179 and 5.188 – an enormous cost increases for sponsors (and not only recognized as balance sheets items for IORPs) as well as detrimental macroeconomic effects result:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Increased call on business funds, due to the role of employers as guarantors of ‘defined benefit’ pensions in several EU states <input type="checkbox"/> Consequences of additional funding: significant negative impacts on capital spending, corporate cash flow, corporation tax payments, wages and employment <input type="checkbox"/> More modest impacts on employee pension contributions, procurement, prices and dividend payments <p>Beyond the economic implications, the material impact on social, co-determination and labour law are hardly acceptable.</p> <p>Finally, PensionsEurope would strongly argue that the paper should have a further example – example 7 – which would be a ‘no change’ option (as included in impact assessment options testing of the European Commission for instance). It is disappointing that, throughout the document, there appears to be a presumption in favour of change. ‘No change’ in some areas should also be available as a policy option.</p> <p>Again, we note that we think that the SCR is not compatible with the HBS. As all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can be developed.</p>	
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3.907.	PSVaG	Q99	In general, no example can be accepted that does not take PPS into account. Thus PPS have to be added.	Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.
3.910.	RPTCL	Q99	We do not have any general comments on the description of example 1, as we are not in a position to analyse it from a pan-European perspective. However, we have considered the suitability of the approach set out in example 1 in Q100 below.	Noted.
3.911.	Siemens Pensionsfonds	Q99	See General remarks above	Noted.
3.912.	Society of Pension Professionals	Q99	<p>Analysis of examples of supervisory frameworks</p> <p>Do stakeholders have any general comments on (the description of) example 1?</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</p>	<p>Noted.</p> <p>Noted.</p> <p>EIOPA decided not to move forward with a</p>

			<p>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. It would be the greatest act of folly imaginable and would see an end to all defined benefit provision in second pillar provision outside of the public sector – presuming that public sector provision would remain exempt from the funding provisions of any future revised Directive.</p>	<p>proposal of new pillar 1 framework.</p>
3.913.	Towers Watson	Q99	<p>Do stakeholders have any general comments on (the description of) example 1?</p> <p>The framework outlined in example 1 is not suitable as it contains a number of inconsistencies and fails to take into account key features of IORPs that make them distinctly different to other financial institutions. This example attempts to overlay a “solvency 2” type framework onto IORPs without taking into account features such as sponsor support, benefit reduction mechanisms and pension protection systems. This is not an acceptable approach.</p> <p>All recovery mechanisms have to be included in order to be able to calculate the HBS, should it be introduced. Excluding such options from the proposed Level A assessment of technical provisions and the associated eligible assets causes inconsistencies in the proposed construction of the HBS (as defined in this example) that make it untenable.</p>	<p>Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>

			<p>To determining eligible assets in this way and only allowing sponsor support to cover the SCR rather than Level A technical provisions will result in significant cost increases for IORPS and their sponsors (and not only recognized as balance sheets items for IORPs) resulting in:</p> <ul style="list-style-type: none"> <input type="checkbox"/> A significant increase in the likelihood that sponsors will close or reduce the value of benefits accrued as a way of managing costs. This would be detrimental to both national and cross border provision (as acknowledged by EIOPA in 5.197) <input type="checkbox"/> An incentive to invest more heavily in low-risk, liquid, closely matched assets to minimise the additional funding requirement. This would likely impact the market-price for such assets (further increasing the cost of funding) and discourage schemes from investing in longer-term growth assets such as infrastructure. <input type="checkbox"/> Wider consequences for sponsors as a result of the additional capital requirements, including: significant negative impacts on capital spending, corporate cash flow, corporation tax payments, wages and employment. <p>In addition, the proposed 1 year recovery period would amplify these economic impacts and further increase as it is very short and does not do justice to the long-term nature of IORPs.</p>	
3.914.	United Utilities Group	Q99	Q99: Do stakeholders have any general comments on (the description of) example 1?	
3.915.	USS Limited	Q99	The HBS model would potentially result in significant impacts on the UK pensions landscape; clearly the extent would depend on the	

		<p>form of the HBS model adopted. The consultation document should have an additional example – a ‘no change’ option.</p> <p>Example one outlined in the consultation document would certainly have the greatest impact and we would question the rationale behind this example. In this example, technical provisions determined on a level A basis are to be covered by financial assets of the IORP and any shortfall is to be put right within a period of one year (which is completely unrealistic). However, the rationale for a level A basis is not clear. Trustees invest on a prudent basis not just in gilts but in a range of other assets such as property and equities. The adoption of a more appropriate basis would reflect the expected rate of return on assets.</p> <p>The results of implementing this example model would be felt by the member, IORP and the wider economy. The potential economic effects are noted in question 72. To re-iterate some other pertinent points :</p> <p>Member – The EC objective is to provide an adequate, sustainable and safe pension system but these objectives would be threatened, with an impact on the member. The loss of DB pensions to a younger generation would not be welcomed.</p> <p>IORP - use of level A technical provisions means that for many schemes the HBS will bring into sharper focus the mismatch between the discount rate used to value liabilities and the return on the actual assets held. Although trustees and their sponsors do manage this risk there could be behavioural implications, such as a</p>	<p>Noted.</p> <p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p> <p>Noted.</p>
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			<p>flight to gilts which we note in our response to question 72.</p> <p>On a technical point, we note that under this example, the option of last resort is to transfer level A liabilities to another undertaking if a recovery plan cannot be put in place. In a UK context this would appear to be an unworkable option. The only examples of bulk transfer arrangements (outside transfers to the PPF) are buy-out deals with insurance companies as part of the planned wind-up of an IORP. An employer could remain a viable going concern on any other basis, but the HBS model would potentially threaten this. There is a paradox evident here in that EIOPA admits there could be an increase in calls on the PPF.</p> <p>In addition, the role of PPF is excluded in this example model yet it plays an important role – see question 39.</p>	Noted.
3.916.	ZVK-Bau	Q99	<p>Example 1 – more or less – looks like Solvency II. We repeatedly argued against their idea of using this regulatory framework for IORPs.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.917.	OPSG	Q100	<p>OPSG does not think that this approach could be used for all IORPs in the EU, in relation to existing promises. If these were grandfathered, and this approach introduced for future employees/accruals (after a transitional period), it is likely that there would be a significant reduction or even complete disappearance of defined benefit IORPs. Benefit promises could only be provided in a Pillar 1 system, a fully insured pension contract, or an unfunded (private or public sector) approach.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1</p>

				framework.
3.918.	100 Group of Finance Directors	Q100	<p>Q100: Could example 1, in the view of stakeholders, be used for all IORPs in the EU?</p> <p>The 100 Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</p> <p>This example could not be applied, at least in the UK, without serious damage to pension schemes, employers sponsoring them and long-term investment markets.</p>	<p>Noted.</p> <p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.919.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q100	<p>No, example 1 is not at all acceptable.</p> <p>In addition to the points raised in Q99, we would like to emphasise that it is important to take into account all implications the HBS proposals and the supervisory response (in general as well as for the individual examples) will have on what employers offer and how it affects coverage. To us it looks like EIOPA is assuming an occupational pension system where membership is mandatory. In many EU Member States this is not the case, and with further unnecessary burdens being imposed on employers offering occupational pensions, provision in those Member States is likely to go down.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>

		<p>We cannot judge the applicability in other EU Member States.</p> <p>The answer to Q99 regarding example 1 was:</p> <p>Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is not possible for us to provide a final assessment of any of the presented examples.</p> <p>Example 1 is the Solvency II model. In the past as well as in this consultation response we have presented a number of arguments against the application of the Solvency II framework to IORPs. Amongst other things, the omission of pension protection schemes, the Level A funding requirements and the short recovery periods are unacceptable for reasons discussed in this consultation response.</p> <p>Generally, we want to emphasise that those examples for the use of the HBS where actually financial assets are required against Level A technical provisions and only SCR may be covered by Sponsor Support or PPS (i.e. example 1) the main driver of the quantitative impact of the proposed regulations will be market consistent valuation and the risk free discount rate used to calculate the best estimate of liabilities. The remaining items are less influential. The consequences would be – as analysed by EIOPA too, see i.e. 5.86, 5.177, 5.179 and 5.188 – an enormous cost</p>	<p>Noted.</p>
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			<p>increases for sponsors (and not only recognized as balance sheets items for IORPs) as well as detrimental macroeconomic effects result:</p> <ul style="list-style-type: none"> <input type="checkbox"/> increased call on business funds, due to the role of employers as guarantors of 'defined benefit' pensions in several EU Member States <input type="checkbox"/> Consequences of additional funding: significant negative impacts on capital spending, corporate cash flow, corporation tax payments, wages and employment <input type="checkbox"/> more modest impacts on employee pension contributions, procurement, prices and dividend payments <p>Beyond the economic implications, a material impact on social, co-determination and labour law is not acceptable.</p> <p>See also our answer to Q85 on this topic.</p>	
3.920.	Actuarial Association of Europe	Q100	<p>We would favour a 'transitional' arrangement in which benefits accrued to date or already promised were subject to existing valuation standards, minimum funding requirements and accompanying recovery periods etc. (either indefinitely or if this was not workable for effectively a very extended period) and if changes are made to such standards etc. then they only apply to benefits yet to be accrued i.e. new promises.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.921.	AEIP	Q100	<p>No. This framework is not usable, since it contains some inconsistent elements. It includes an SCR, some options are left out</p>	<p>Noted.</p> <p>EIOPA decided not to</p>

			<p>of the balance sheet, thus causing inconsistencies in the valuation of the options on the HBS including inappropriate uniform recovery periods.</p> <p>We would like to note that we think that the SCR is not compatible with the HBS (see above). As all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can be developed.</p>	<p>move forward with a proposal of new pillar 1 framework.</p>
3.922.	AGV Chemie	Q100	<p>No, Example 1 is not acceptable. We cannot judge the applicability in other EU Member States.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.923.	Aon Hewitt	Q100	<p>No – as noted already, this could trigger additional significant short-term cash calls. It would also discourage investment in long-term assets. For example, if the value of equity holdings reduced by €100m to €90m in one financial year, it would seem that this method would require IORPs to pay an additional €10m of contributions in the following year. This method therefore results in too much volatility.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.924.	Association of Pension Lawyers	Q100	<p>No. We do not consider that example 4 could realistically be adopted for IORPs in the UK without placing an unreasonable burden on UK business and we expect that the same could be said for many other EU Member States.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.925.	BAPI	Q100	<p>Q100: Could example 1, in the view of stakeholders, be used for all IORPs in the EU?</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 example 1 is no option for IORPs in EU. As stated in paragraph 5.177 this approach could have a severe impact on willingness of sponsors to organize occupational pensions without transferring all risks to the members and beneficiaries, on the sponsor business, and in general on the economic development and growth in the EU.</p> <p>Technical provisions at Level A with recovery periods of one year seem to be unreasonable given the long term liabilities of IORPs and the benefit security mechanisms like sponsor support and pension protection schemes. As questioned in previous exercises, we do not see any relevance of the risk margin in the context of a non-profit sector. This is again a copy/paste of the Solvency II regulation which is not adequate for an IORP environment.</p> <p>Not taking into account ex-post benefit reductions, benefit</p>	<p>Noted.</p> <p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
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			<p>reductions in case of sponsor default and pension protection schemes is ignoring important mechanism in case of deteriorating situations.</p> <p>Together with the negative impact of the capital requirements, imposing the , imposing the complexity, the short term approach and the artificial/questionable results of some elements of the HBS to all IORPs in the EU will jeopardize the willingness of sponsors to provide occupational pension provisioning. Therefore, we do not agree with the perception that is created as if members and beneficiaries would be very well protected. In many cases, this will only be the situation if sponsors are willing to provide substantial extra funding, if not sponsors are driven to amend the pension promise and to transfer risk to members and beneficiaries or simply to terminate the pension scheme which would mean that members and beneficiaries lose any further accrual of benefits.</p> <p>We welcome that EIOPA recognizes the negative impact this example might have on long term investments and on the economic development and growth in EU.</p> <p>The consistency with Solvency II is rather seen as a negative element as applying a copy/paste of Solvency II requirements would ignore the specificities of the IORP institution (not-for profit, best estimate engagement, triangular relationship IORP/employer/member and beneficiaries, long term investments, ...) which results in an inappropriate framework (risk margin, Var over 1 year, Level A, ...). As many of the building blocks of these scenarios were calculated during the QIS exercise, BAPI wonders if it is not feasible to provide a broad impact of each of these scenarios based on those results.</p>	Noted.
3.926.	BASF SE	Q100	No, example 1 is not at all acceptable.	Noted. EIOPA decided not to

				move forward with a proposal of new pillar 1 framework.
3.927.	BDA	Q100	No, Example 1 is not acceptable. We cannot judge the applicability in other EU Member States.	Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.
3.928.	Better Finance	Q100	It would be very unprofessional to comment on this question without having been able to see the results of wider analysis. The suggestion would be to have specified examples used in real-life testing and analysis (on a selected sample of typical IORPs based on various scenarios, pension promises made, size, residence, funding level, number of sponsors, etc.) to see the impact on questions defined in the paragraph 5.148 of the Consultation Paper.	Noted. An impact assessment of Example 1 is provided in the opinion.
3.929.	British Telecommunications plc	Q100	Q100: Could example 1, in the view of stakeholders, be used for all IORPs in the EU? This example could not be applied, certainly in the UK, without serious damage to pension schemes, employers sponsoring them and long-term investment markets. Further details would be needed on how the transfer of assets envisaged in 5.173 would take place in practice and which party would take on the liabilities.	Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.
3.930.	Candriam	Q100	Could example 1, in the view of stakeholders, be used for all IORPs in the EU? We strongly reject the idea of a single valuation framework for all	Noted. EIOPA decided not to move forward with a proposal of new pillar 1

			pension institutions in the EU.	framework.
3.931.	Compass Group PLC	Q100	<p>Q100: Could example 1, in the view of stakeholders, be used for all IORPs in the EU?</p> <p>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</p> <p>This example could not be applied, at least in the UK, without serious damage to pension schemes, employers sponsoring them and long-term investment markets.</p>	<p>Noted.</p> <p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.932.	D & L Scott	Q100	No.	Noted.
3.933.	EAPSPI	Q100	<p>No.</p> <p>Explanation see in Q 99.</p>	Noted.
3.934.	Eversheds LLP	Q100	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>Noted.</p> <p>Noted.</p>

			<p>Example 1 would have a devastating impact on the European economy requiring business to divert cash into IORPs rather than business investment. It would also lead to the insolvency of many sponsors within the EU, the closure of many IORPs and the need for many IORPs to call upon pension protection schemes (with the result that members benefits would need to be reduced). Therefore, we do not see this as a viable option in any way.</p>	<p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.935.	Evonik Industries AG	Q100	<p>No, Example 1 is not acceptable. We cannot judge the applicability in other EU Member States.</p>	<p>Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.936.	FSUG	Q100	<p>It would be very unprofessional to comment on this question without having been able to see the results of wider analysis. The suggestion would be to have specified examples used in real-life testing and analysis (on a selected sample of typical IORPs based on various scenarios, pension promises made, size, residence, funding level, number of sponsors, etc.) to see the impact on questions defined in the paragraph 5.148 of the Consultation Paper.</p>	<p>Noted. An impact assessment of example 1 is provided in the opinion.</p>
3.937.	GDV	Q100	<p>Could example 1, in the view of stakeholders, be used for all IORPs in the EU?</p> <p>Example 1 should not be used for IORPs in the EU. It does not appropriately take into account the economically relevant specificities of IORPs such as sponsor support, pension protection schemes and benefit adjustment mechanisms. Therefore, it does</p>	<p>Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>

			not reflect activities of IORPs related to the scheme appropriately.	
3.939.	Heathrow Airport Limited	Q100	<p>Q100: Could example 1, in the view of stakeholders, be used for all IORPs in the EU?</p> <p>Heathrow Airport is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</p> <p>This example could not be applied, at least in the UK, without serious damage to pension schemes, employers sponsoring them and long-term investment markets.</p>	<p>Noted.</p> <p>Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.940.	Hoechst-Gruppe VVaG	Q100	<p>No, example 1 is not at all acceptable.</p> <p>In addition to the points raised in Q99, we would like to emphasise that it is important to take into account all implications the HBS proposals and the supervisory response (in general as well as for the individual examples) will have on what employers offer and how it affects coverage. To us it looks like EIOPA is assuming an occupational pension system where membership is mandatory. In</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>

		<p>many EU Member States this is not the case, and with further unnecessary burdens being imposed on employers offering occupational pensions, provision in those Member States is likely to go down.</p> <p>We cannot judge the applicability in other EU Member States.</p> <p>The answer to Q99 regarding example 1 was:</p> <p>Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is not possible for us to provide a final assessment of any of the presented examples.</p> <p>Example 1 is the Solvency II model. In the past as well as in this consultation response we have presented a number of arguments against the application of the Solvency II framework to IORPs. Amongst other things, the omission of pension protection schemes, the Level A funding requirements and the short recovery periods are unacceptable for reasons discussed in this consultation response.</p> <p>Generally, we want to emphasise that those examples for the use of the HBS where actually financial assets are required against Level A technical provisions and only SCR may be covered by Sponsor Support or PPS (i.e. example 1) the main driver of the</p>	<p>Noted.</p>
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			<p>quantitative impact of the proposed regulations will be market consistent valuation and the risk free discount rate used to calculate the best estimate of liabilities. The remaining items are less influential. The consequences would be – as analysed by EIOPA too, see i.e. 5.86, 5.177, 5.179 and 5.188 – an enormous cost increases for sponsors (and not only recognized as balance sheets items for IORPs) as well as detrimental macroeconomic effects result:</p> <ul style="list-style-type: none"> <input type="checkbox"/> increased call on business funds, due to the role of employers as guarantors of ‘defined benefit’ pensions in several EU Member States <input type="checkbox"/> Consequences of additional funding: significant negative impacts on capital spending, corporate cash flow, corporation tax payments, wages and employment <input type="checkbox"/> more modest impacts on employee pension contributions, procurement, prices and dividend payments <p>Beyond the economic implications, a material impact on social, co-determination and labour law is not acceptable.</p> <p>See also our answer to Q85 on this topic.</p>	
3.941.	IFoA	Q100	No comment	Noted.
3.942.	IVS	Q100	No. Requiring financial assets to cover level A technical provisions (also for mixed benefits) and the risk margin isn’t appropriate for IORPs if an IORP’s typical characteristics are appropriately taken	Noted. EIOPA decided not to move forward with a

			<p>into account. Furthermore, we believe that ignoring benefit reduction mechanisms other than ex ante and pension protection systems doesn't match with the so called holistic approach. The recovery period is unacceptable.</p> <p>Regarding the underlying reasoning for the risk margin, an intended transfer to another undertaking doesn't reflect the triangular relationship between employee, employer and the company. Such transfers weaken the system by negating the relationship between the sponsoring undertaking and the IORP.</p>	proposal of new pillar 1 framework.
3.943.	Jane Marshall Consulting	Q100	No.It could not and should not.	Noted.
3.944.	NAPF	Q100	<p>Q100: Could example 1, in the view of stakeholders, be used for all IORPs in the EU?</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.
3.946.	Otto Group	Q100	No, Example 1 is not acceptable. We cannot judge the applicability in other EU Member States.	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.947.	Pensioenfederatie	Q100	We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be,	Noted.

			<p>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. This framework is not usable, since it contains some inconsistent elements . It includes an SCR and some options are left out of the balance sheet. This causes inconsistencies in the valuation of the options on the HBS including inappropriate uniform recovery periods. In addition, this recovery period is very short, which does not do justice to the long-term nature of IORPs.</p> <p>We would like to note that we think that the SCR is not compatible with the HBS. As all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can be developed.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.948.	PensionsEurope	Q100	<p>Could example 1, in the view of stakeholders, be used for all IORPs in the EU?</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</p>	<p>Noted.</p>

		<p>system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is very challenging for us to provide a final assessment of any of the presented examples.</p> <p>No, example 1 is not at all acceptable. This framework is not usable, since it contains some inconsistent elements. It includes an SCR, some options are left out of the balance sheet, thus causing inconsistencies in the valuation of the options on the HBS including inappropriate uniform recovery periods. As questioned in previous exercises, we do not see any relevance of the risk margin in the context of a non-profit sector.</p> <p>In addition to the points raised in Q99, we would like to emphasise that it is important to take into account all implications the HBS proposals and the supervisory response (in general as well as for the individual examples) will have on what employers offer and how it affects coverage. To us it looks like EIOPA is assuming an occupational pension system where membership is mandatory. In many countries this is not the case, and with further unnecessary burdens being imposed on employers offering occupational pensions, provision in those countries is likely to go down.</p> <p>We would like to note that we think that the SCR is not compatible</p>	<p>Noted. An impact assessment of example 1 is provided in the opinion</p> <p>Noted. EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
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			<p>with the HBS. As all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can be developed.</p> <p>Finally, we welcome that EIOPA recognises the negative impact this example might have on long term investments and on the economic development and growth in EU. However, we rather see the consistency with Solvency II as a negative element as applying Solvency II requirements would ignore the specificities of the IORPs (not-for profit, best estimate engagement, triangular relationship IORP/employer/member and beneficiaries, long term investments etc.) which results in an inappropriate framework (risk margin, Var over 1 year, level A etc.).</p> <p>In addition, as many of the building blocks of these scenarios were calculated during the last QIS exercise, PensionsEurope wonders if it is not feasible to provide a broad impact of each of these scenarios based on those results.</p>	
3.951.	RPTCL	Q100	<p>We do not believe that example 1 would be appropriate to use for all EU member states. We believe that the example 1 approach would cause massive stress to our IORPs, their sponsors and their members. In the case of our IORPs, we believe that the approach would be damaging to the IORPs, their 350,000 members and the UK railways industry.</p> <p>For our reponse to EIOPA-CP-11/006, we had estimated that the use of risk-free interest rates for the schemes to which RPTCL is a trustee would increase the technical provisions by 13 billion euros.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>

			<p>Of this increase, the shared cost nature of the schemes to which RPTCL is a trustee could mean that 40% of this increase in technical provisions (i.e. more than 5 billion euros) could fall on the active members of these schemes, of which there are around 85,000. This equates to some 60,000 euros for each active member on a pro rata basis – albeit that in a small number of cases sponsors themselves meet members’ shares of shortfalls.</p> <p>We have not updated the above impact or revisited the above calculations but envisage that an example 1 approach would have a similar impact to our previous assessment.</p>	
3.952.	Siemens Pensionsfonds	Q100	No, Example 1 is not acceptable. We cannot judge the applicability in other EU Member States.	Noted.
3.953.	Society of Pension Professionals	Q100	<p>Could example 1, in the view of stakeholders, be used for all IORPs in the EU?</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</p>	<p>Noted.</p> <p>Noted.</p>

			<p>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 theory, of course. But only with the consequence that it will kill off all defined benefit provision outside the public sector.</p> <p>In our view it is a matter for the Governments of individual Member States and their national competent authorities to determine whether (and if so how) to develop the idea of the HBS and integrate it into their supervisory regime.</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>
3.954.	Towers Watson	Q100	<p>Could example 1, in the view of stakeholders, be used for all IORPs in the EU?</p> <p>No. The implementation of the framework outlined in example 1 would have significant detrimental micro and macro-economic impacts (such as significantly reduced on capital spending, corporate cash flow, corporation tax payments, wages and employment) that would be unmanageable in many Member States.</p> <p>In addition, beyond the economic implications, we also note that this solvency framework would seriously interfere with existing pension scheme contracts as well as on national social and labour laws in many Member States.</p> <p>The HBS, if it were to be introduced, should not harm existing –</p>	<p>Noted.</p> <p>EIOPA decided not to move forward with a proposal of new pillar 1 framework.</p>

			and often very well established – pension systems.	
3.955.	United Utilities Group	Q100	Q100: Could example 1, in the view of stakeholders, be used for all IORPs in the EU?	
3.956.	ZVK-Bau	Q100	No, never !	Noted.
3.957.	OPSG	Q101	<p>This approach seems workable.</p> <p>As pointed out in the consultation paper:</p> <ul style="list-style-type: none"> <input type="checkbox"/> This solvency framework interferes with national systems by imposing an SCR with a harmonized confidence level, but the impact may be limited in some countries; <input type="checkbox"/> IORPs would not be required to take into account pure discretionary and mixed benefits, in line with the current IORP directive; <input type="checkbox"/> Member states have the discretion to allow for considerable recovery periods; <p>However:</p> <ul style="list-style-type: none"> <input type="checkbox"/> IORPs would not be required to have sufficient assets to be able to hedge mismatch risk on financial markets, which reduces the level of member protection; <input type="checkbox"/> Due to exclusion of protection schemes there is a misstatement of the level of protection; <p>Some (limited) inconsistencies with the Solvency II framework are introduced. The OPSG does not consider this to be a fundamental problem.</p>	<p>Noted.</p> <p>EIOPA advises in its opinion to the European institutions to apply the common framework for pillar 2/3 purposes, without any additional capital or funding requirements resulting from it.</p>
3.958.	aba	Q101	We generally doubt that the HBS approach would bring additional	Noted. See the

	Arbeitsgemeinschaft für betriebliche Altersve		<p>benefits given the costs and efforts involved in calculating the HBS.</p> <p>It is not clear why the choice for Level B technical provision shall require a market consistent HBS for transparency reasons. The so-called "market consistency" is not a concept that increases transparency. To the contrary, we believe that market-consistency could rather give mis-leading information about the sustainability of an IORP. In general, no example can be accepted that does not take pension protection schemes into account. Thus PPS have to be added. Defining considerably long recovery periods by the Member States for underfunding situations is the right approach. Example 2 would have to include generous simplifications (Q111) and transitional measures (Q97 and Q98).</p>	response to the OPSG comment (3.957).
3.959.	ACA	Q101	We do not see any evidence that this would stimulate cross-border activity. Indeed, when combined with the impact of Article 13(5) of the current IORP II agreed Council draft providing transferring regulators with a blanket veto on transfer of assets cross-border this will kill DB cross-border activity.	Noted. See the response to the OPSG comment (3.957).
3.960.	Actuarial Association of Europe	Q101	We believe that any approach adopted should aim not to alter to a material extent the strength of any 'pension promise' that has already been agreed between employer and employee. As noted above (and as explained in the Consultation Paper) the strength of the 'pension promise' in relation to benefits that have already been accrued depends partly on how these benefits will be financed (including how much has already been accumulated in an IORPS to support the benefits) and partly on the impact of any additional security mechanisms supporting the promised benefits (such as sponsor support, pension protection schemes and conditionality in benefits).	Noted. See the response to the OPSG comment (3.957).

			<p>It seems to us that adhering to this principle means that:</p> <p>(a) The selected approach will in practice need largely to retain existing member-state specific valuation standards, minimum funding requirements and accompanying recovery periods etc. for benefits already accrued to date or to be accrued in future under existing promises (i.e. for current employees). Otherwise, either the employer or the employee may object that the promise being provided (and hence its value) is being retrospectively altered to his or her disadvantage (with the impact not necessarily being uniform even within a given member state).</p> <p>(b) However, any reasonable approach could be adopted for benefits yet to be accrued or already promised. If politicians so wished (and EU treaties permitted) then this could include an approach that aimed to harmonise the strength of the 'pension promise' across member state for such benefits. Harmonisation might be considered desirable to reduce the likelihood that benefit provision will migrate to member states or structures that offer the least security of benefits. It might also be considered desirable to maximise the transparency and comparability of the 'pension promise' across the EU or from other cross-border perspectives. Conversely, it might be considered undesirable because it might impact too much on social and labour law within individual member states and if taken to its logical extreme would also favour harmonising where practical the underlying security mechanisms etc.. Any such harmonisation should ideally refer to a full HBS that takes into account all contributions to the strength of the pension promise.</p>	
3.961.	AEIP	Q101	First, it is not clear to us how the level B technical provision could	Noted. See the

			<p>be combined with market-consistent valuation of the different options in the pension contract. Second, some options are excluded from the framework, causing mispricing in the included options. Third, including an SCR in a balance sheet that contains conditional items is not appropriate.</p> <p>Fourth, recovery plan requirements should be set at the Member State level. As all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can be developed.</p>	response to the OPSG comment (3.957).
3.962.	Aon Hewitt	Q101	<p>No – the description seems workable. More details are needed on the minimum time period for recovery plans. If members expect to receive discretionary/mixed benefits, or receive pension increases that are financed from surplus funds, it may be appropriate to include discretionary/mixed benefits in the technical provisions (particularly if there is a policy to provide such benefits).</p>	Noted. See the response to the OPSG comment (3.957).
3.963.	Association of Pension Lawyers	Q101	<p>This approach appears to reflect, to a large degree, the current funding regime within the UK.</p>	Noted. See the response to the OPSG comment (3.957).
3.964.	BAPI	Q101	<p>Q101: Do stakeholders have any general comments on (the description of) example 2?</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,</p>	Noted. See the response to the OPSG comment (3.957).

			<p>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 HBS as defined in example 2 to set the and capital requirements is not appropriate for IORPs. As stated before, BAPI believes the HBS might be a possible risk management tool but is inappropriate to set capital requirements. BAPI believes the HBS is presented as a market consistent approach although BAPI is convinced some items on the HBS show artificial/questionable values e.g. sponsor support, pension protection schemes, risk margin, etc. The use of technical provisions at Level B to determine the level of financial assets as well as capital requirements are more in line with the long term liabilities of an IORP. BAPI still questions the appropriateness of the SCR and the risk margin both copy/pasted from Solvency II. The SCR is not in line with the long term nature of the IORP's liabilities (also a problem for life insurance). A risk margin is only valuable when the transferability of the liabilities could be an issue on the market, which is not the case in the context of Belgian IORPs. BAPI welcomes in this scenario non-legally sponsor support can be used but questions the inclusion of pure conditional benefits in the technical provisions. It is also unclear why pension protection schemes and some benefit reduction mechanisms are not taken into account. BAPI welcomes the idea that the competence to determine the recovery period is with the prudential legislation of the Member State.</p>	
3.965.	BASF SE	Q101	It is not clear why the choice for Level B technical provision shall	Noted. See the response to the OPSG

			require a market-consistent HBS for transparency reasons. Market consistency is not a concept that increases transparency. To the contrary, we believe that market-consistency could rather give misleading information about the sustainability of an IORP. We also question why pension protection schemes are not taken into account. Defining sufficiently long recovery periods by the member states for underfunding situations is the right approach.	comment (3.957).
3.966.	British Telecommunications plc	Q101	<p>Q101: Do stakeholders have any general comments on (the description of) example 2?</p> <p>The consultation document notes that this approach would 'interfere' with some existing regimes and we agree with this assessment.</p> <p>Under 5.216, there is an implication that schemes need to reach full funding on a Level A basis for members to receive their full benefits. However, schemes are only required to pay benefits as they fall due and this could also be achieved funding on a more realistic Level B basis.</p> <p>Any approach reliant on a number of specified assumptions will be overly model dependent and is likely to be inefficient. The complexities of pension funding require elements of judgment that cannot be achieved with a prescribed 'one size fits all' approach.</p>	Noted. See the response to the OPSG comment (3.957).
3.967.	Candriam	Q101	Do stakeholders have any general comments on (the description of) example 2?	Noted. See the response to the OPSG

			<p>Example 2 allows for more flexibility in funding pensions commitment because of the leeway in determining recovery periods and the discount rate related with asset allocation. However, the use of expected return on assets should not allow to compensate a funding shortfall by an increase in asset risk, although this point is already watched in current supervisory system.</p> <p>We also insist that according to their national preferences some countries may be in favor of market rates to discount liabilities. This choice should remain open.</p>	comment (3.957).
3.968.	Compass Group PLC	Q101	Q101: Do stakeholders have any general comments on (the description of) example 2?	
3.969.	D & L Scott	Q101	Example 2 is preferable to Example 1, but I am uncomfortable with the replacement of desirable prudence with «best estimates».	Noted. See the response to the OPSG comment (3.957).
3.970.	Eversheds LLP	Q101		
3.971.	GDV	Q101	<p>Do stakeholders have any general comments on (the description of) example 2?</p> <p>It is questionable whether it is appropriate to evaluate the SCR with respect to Level B technical provisions. Furthermore, example 2 does not or not appropriately take into account the relevant specificities of IORPs such as sponsor support, pension protection</p>	Noted. See the response to the OPSG comment (3.957).

			schemes or benefit adjustment mechanisms.	
3.973.	Heathrow Airport Limited	Q101	Q101: Do stakeholders have any general comments on (the description of) example 2?	
3.974.	Hoechst-Gruppe VVaG	Q101	<p>We generally doubt that the HBS approach would bring additional benefits given the costs and efforts involved in calculating the HBS.</p> <p>It is not clear why the choice for Level B technical provision shall require a market consistent HBS for transparency reasons. The so-called “market consistency” is not a concept that increases transparency. To the contrary, we believe that market-consistency could rather give mis-leading information about the sustainability of an IORP. In general, no example can be accepted that does not take pension protection schemes into account. Thus PPS have to be added. Defining considerably long recovery periods by the Member States for underfunding situations is the right approach. Example 2 would have to include generous simplifications (Q111) and transitional measures (Q97 and Q98).</p>	Noted. See the response to the OPSG comment (3.957).
3.975.	IFoA	Q101	No comment	Noted. See the response to the OPSG comment (3.957).
3.976.	IVS	Q101	We are surprised that example 2 (as is the case for examples 1 and 5) even considers excluding taking account of PPS. In our opinion, there seems to be no justification whatsoever to even consider such an option. Suggesting such radical concepts in 3 of the 5 quantitative regimes of the proposed regulatory frameworks begs the question whether the leadership at the Commission/EIOPA has understood the very basic concepts of IORPs. This is one of many	Noted. See the response to the OPSG comment (3.957).

			<p>examples that is not conducive to a constructive « working together » approach.</p> <p>Finally, it should not be forgotten that the cost/benefit analysis will in the final instance be made by the sponsoring employers with a direct effect on future generations.</p>	
3.977.	NAPF	Q101	<p>Q101: Do stakeholders have any general comments on (the description of) example 2?</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>We do not see any evidence that this would stimulate cross-border activity. Indeed, when combined with the impact of Article 13(5) of the proposed new IORP Directive as agreed in Council, which would give transferring regulators a blanket veto on the transfer of assets across borders, this would end DB cross-border activity.</p>	<p>Noted. See the response to the OPSG comment (3.957).</p>
3.979.	Pensioenfederatie	Q101	<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>Noted. See the response to the OPSG comment (3.957).</p>

			<p>Firstly, it is not clear to us how level B technical provision could be combined with market-consistent valuation of the different options in the pension contract. Secondly, some options are excluded from the framework and thus cause mispricing in the included options. Thirdly, including an SCR on a balance sheet that contains conditional items is not appropriate. Fourthly, recovery plan requirements should be set at the Member State level. As all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can be developed.</p>	
3.980.	PensionsEurope	Q101	<p>Do stakeholders have any general comments on (the description of) example 2?</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>Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is very challenging for us to provide a final assessment of any of the presented examples.</p>	<p>Noted. See the response to the OPSG comment (3.957).</p>

			<p>It is not clear to us how the level B technical provision could be combined with market-consistent valuation of the different options in the pension agreement.</p> <p>Some options are missing. We question why pension protection schemes and some benefit reduction mechanisms are not taken into account. Again, including an SCR is not appropriate.</p> <p>In several of the supervisory frameworks, we are concerned that EIOPA suggests that sponsor support could be used to cover only the SCR. There are cases where IORPs have unlimited sponsor support which are - according to the statutes - entitled to choose to pay their sponsor support contribution over a long period regardless of their ability to pay it all immediately. Because the remaining amounts to be paid constitute claims on sponsors, they could immediately be treated as assets on the balance sheet and would hence directly improve the solvency situation. It would be very strange if these claims could not be treated as assets and hence not be used to cover technical provisions.</p> <p>However, defining considerably long recovery periods by the Member States for underfunding situations is the right approach. Example 2 would have to include adequate simplifications and transitional measures. Once again, as stressed in the General Remarks, we emphasise that simplifications might lead to incomparable outcomes, that is why they have to be carefully designed.</p>	
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			Recovery plan requirements should be set at the Member State level. As all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can be developed.	
3.983.	RPTCL	Q101	We do not have any general comments on the description of example 2, as we are not in a position to analyse it from a pan-European perspective. However, we have considered the suitability of the approach set out in example 2 in Q102 below.	Noted. See the response to the OPSG comment (3.957).
3.984.	Society of Pension Professionals	Q101	<p>Do stakeholders have any general comments on (the description of) example 2?</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. See the response to the OPSG comment (3.957).

			It is a marked improvement on example 1.	
3.985.	Towers Watson	Q101	<p>Do stakeholders have any general comments on (the description of) example 2?</p> <p>The ability of Member States to define considerably long recovery periods for underfunding situations, reflecting the particular circumstances and features of IORPS in each jurisdiction is a welcome addition, however the example 2 still has a number of flaws that make it untenable.</p> <p>The fact that PPS and benefit reductions in the event of sponsor default cannot be taken into account is unacceptable - all recovery mechanisms need to be included in order to calculate the HBS (if introduced) and develop suitable recovery plans (if needed).</p> <p>It is not appropriate to include the SCR when these recovery mechanisms are not allowed for. In addition, unless sponsor support can be used as a balancing item, it will be challenging to place a sensible market-consistent value on the long term commitment made by the sponsor.</p> <p>It is also not clear to us how the level B technical provision could be combined with market-consistent valuation of many of the different options in the pension contract.</p>	Noted. See the response to the OPSG comment (3.957).
3.986.	United Utilities Group	Q101	Q101: Do stakeholders have any general comments on (the description of) example 2?	
3.987.	ZVK-Bau	Q101	In example 2 we miss important security items of IORPs.	Noted. See the

				response to the OPSG comment (3.957).
3.988.	OPSG	Q102	<p>The OPSG thinks that this approach could be used for all IORPs in the EU, provided there will be a transitional period. The OPSG is of the view that an SCR is inconsistent with the use of the HBS in Pillar 1. However, if there were to be an SCR, the requirement to cover it with a harmonised confidence level is in our view inappropriate as the confidence level should be set at Member State level. In addition, the OPSG disagrees with the exclusion of PPS in this example.</p> <p>The OPSG would require further detail of the proposed approach and consideration of worked examples e.g. from QIS 2 before forming a view on its applicability across the EU.</p>	Noted. See the response to the OPSG comment (3.957).
3.989.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q102	<p>Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is not possible for us to provide a final assessment of any of the presented examples. For Germany, see Q101. We cannot judge the applicability in other EU Member States.</p> <p>The answer to Q101 was: We generally doubt that the HBS approach would bring additional benefits given the costs and efforts involved in calculating the HBS.</p> <p>It is not clear why the choice for Level B technical provision shall require a market consistent HBS for transparency reasons. The so-</p>	Noted. See the response to the OPSG comment (3.957).

			called "market consistency" is not a concept that increases transparency. To the contrary, we believe that market-consistency could rather give mis-leading information about the sustainability of an IORP. In general, no example can be accepted that does not take pension protection schemes into account. Thus PPS have to be added. Defining considerably long recovery periods by the Member States for underfunding situations is the right approach. Example 2 would have to include generous simplifications (Q111) and transitional measures (Q97 and Q98).	
3.990.	Actuarial Association of Europe	Q102	We would favour a 'transitional' arrangement in which benefits accrued to date or already promised were subject to existing valuation standards, minimum funding requirements and accompanying recovery periods etc. (either indefinitely or if this was not workable for effectively a very extended period) and if changes are made to such standards etc. then they only apply to benefits yet to be accrued i.e. new promises.	Noted. See the response to the OPSG comment (3.957).
3.991.	AEIP	Q102	This is not possible. It is not clear to us how the level B technical provision could be combined with market-consistent valuation of the different options in the pension contract. Some options are missing. Including an SCR is not appropriate. Recovery plan requirements should be set at the Member State level. As all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can be developed.	Noted. See the response to the OPSG comment (3.957).
3.992.	Aon Hewitt	Q102	Yes.	Noted. See the response to the OPSG comment (3.957).
3.993.	Association of Pension	Q102	No. Different member states have established different bases on	Noted. See the

	Lawyers		which IORPs domiciled within those member states should operate. There does not appear to be any need to disturb those arrangements other than, perhaps, where an IORP wishes to operate on a cross-border basis.	response to the OPSG comment (3.957).
3.994.	BAPI	Q102	<p>Q102: Could example 2, in the view of stakeholders, be used for all IORPs in the EU?</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 example is more in line with the long term characteristics of the IORPs' liabilities. It is unclear why pure conditional benefits are, and pension protection schemes and some benefit reduction mechanisms are not, taken into account. Together with the negative impact of the capital requirements, imposing the complexity, the short term approach and the artificial/questionable results of some elements of the HBS to all IORPs in the EU will</p>	Noted. See the response to the OPSG comment (3.957).

			jeopardize the willingness of sponsors to provide occupational pension provisioning. As many of the building blocks of these scenarios were calculated during the QIS exercise, BAPI wonders if it is not feasible to provide a broad impact of each of these scenarios based on those results.	
3.995.	BASF SE	Q102	No.	Noted. See the response to the OPSG comment (3.957).
3.996.	Better Finance	Q102	See response in Q100.	Noted. See the response to the OPSG comment (3.957).
3.997.	British Telecommunications plc	Q102	Q102: Could example 2, in the view of stakeholders, be used for all IORPs in the EU? No, we believe this approach would be detrimental to pensions schemes, members and employers.	Noted. See the response to the OPSG comment (3.957).
3.998.	Candriam	Q102	Could example 2, in the view of stakeholders, be used for all IORPs in the EU? We strongly reject the idea of a single valuation framework for all pension institutions in the EU.	Noted. See the response to the OPSG comment (3.957).
3.999.	Compass Group PLC	Q102	Q102: Could example 2, in the view of stakeholders, be used for all IORPs in the EU?	Noted. See the response to the OPSG comment (3.957).
4.000.	D & L Scott	Q102	No, for the reason expressed in commenting on Q101 above.	Noted. See the response to the OPSG comment (3.957).

4.001.	EAPSPI	Q102	No.	Noted. See the response to the OPSG comment (3.957).
4.002.	Eversheds LLP	Q102		
4.003.	FSUG	Q102	See response in Q100.	Noted. See the response to the OPSG comment (3.957).
4.004.	GDV	Q102	<p>Could example 2, in the view of stakeholders, be used for all IORPs in the EU?</p> <p>For above mentioned reasons (see Q101), example 2 does not seem to be suitable for IORPs.</p>	Noted. See the response to the OPSG comment (3.957).
4.006.	Heathrow Airport Limited	Q102	Q102: Could example 2, in the view of stakeholders, be used for all IORPs in the EU?	
4.007.	Hoechst-Gruppe VVaG	Q102	<p>Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is not possible for us to provide a final assessment of any of the presented examples. For Germany, see Q101. We cannot judge the applicability in other EU Member States.</p> <p>The answer to Q101 was:</p> <p>We generally doubt that the HBS approach would bring additional benefits given the costs and efforts involved in calculating the HBS.</p>	Noted. See the response to the OPSG comment (3.957).

			<p>It is not clear why the choice for Level B technical provision shall require a market consistent HBS for transparency reasons. The so-called "market consistency" is not a concept that increases transparency. To the contrary, we believe that market-consistency could rather give mis-leading information about the sustainability of an IORP. In general, no example can be accepted that does not take pension protection schemes into account. Thus PPS have to be added. Defining considerably long recovery periods by the Member States for underfunding situations is the right approach. Example 2 would have to include generous simplifications (Q111) and transitional measures (Q97 and Q98).</p>	
4.008.	IFoA	Q102	No comment	Noted. See the response to the OPSG comment (3.957).
4.009.	IVS	Q102	<p>No. Excluding pension protection schemes as well as benefit reduction mechanisms (ex-post and in case of sponsor default) from the HBS/HPF would be incomplete and misleading and doesn't correspond to the holistic approach.</p> <p>We like the suggestion to use level B discount rate for TPs.</p> <p>See our General Comments for an explanation of "HBS/HPF".</p>	Noted. See the response to the OPSG comment (3.957).
4.010.	Jane Marshall Consulting	Q102	No.It could not and should not.	Noted. See the response to the OPSG comment (3.957).
4.011.	NAPF	Q102	Q102: Could example 2, in the view of stakeholders, be used for all IORPs in the EU?	Noted. See the response to the OPSG comment (3.957).

			<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>	
4.014.	Pensioenfederatie	Q102	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>This is not possible. It is not clear to us how the level B technical provision could be combined with market-consistent valuation of the different options in the pension contract. Some options are missing. Including an SCR is not appropriate.</p> <p>Recovery plan requirements should be set at the Member State level. As all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can be developed.</p>	Noted. See the response to the OPSG comment (3.957).
4.015.	PensionsEurope	Q102	Could example 2, in the view of stakeholders, be used for all IORPs	Noted. See the

		<p>in the EU?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>This is not possible to be used for all IORPs in the EU. It is not clear to us how the level B technical provision could be combined with market-consistent valuation of the different options in the pension agreement.</p> <p>Some options are missing. We question why pension protection schemes are not taken into account. Again, including an SCR is not appropriate.</p> <p>Recovery plan requirements should be set at the Member State level. As all recovery mechanisms have to be included in order to be able to calculate the HBS, no further recovery plan can be developed.</p> <p>In addition, as many of the building blocks of these scenarios were calculated during the last QIS exercise, PensionsEurope wonders if it is not feasible to provide a broad impact of each of these</p>	<p>response to the OPSG comment (3.957).</p>
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			scenarios based on those results.	
4.018.	RPTCL	Q102	Although preferable to example 1, we believe that the example 2 approach would not be appropriate at an EU level. In particular, we note that there is no allowance for pension protection schemes within this mechanism and we struggle to see how such an approach would provide for meaningful answers where the likelihood of a claim on a pension protection scheme is high.	Noted. See the response to the OPSG comment (3.957).
4.019.	Society of Pension Professionals	Q102	<p>Could example 2, in the view of stakeholders, be used for all IORPs in the EU?</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. See the response to the OPSG comment (3.957).

			In our view it is a matter for the Governments of individual Member States and their national competent authorities to determine whether (and if so how) to develop the idea of the HBS and integrate it into their supervisory regime.	
4.020.	Towers Watson	Q102	<p>Could example 2, in the view of stakeholders, be used for all IORPs in the EU?</p> <p>No. Whilst this example framework may mean that Member States are able report results on a consistent measure, the requirement to report the HBS on a risk-free basis to the regulator and members with no attaching regulatory response adds significant cost for no real additional value. It is not clear how the highly technical HBS would be useful to members or increase consumer protection.</p> <p>This scenario gives flexibility to individual member states to build in suitable prudential requirements above the minimum where appropriate, but in others it could be significant , which goes against the principle that the HBS – if introduced – should not harm existing pension systems.</p> <p>Due to the likelihood of different provisions applying in different member states, it is probable that the full funding requirement would be enforced under this framework and as such there would be no real incentive for increased cross-border activity.</p>	Noted. See the response to the OPSG comment (3.957).
4.021.	United Utilities Group	Q102	Q102: Could example 2, in the view of stakeholders, be used for all IORPs in the EU?	Noted. See the response to the OPSG comment (3.957).
4.022.	ZVK-Bau	Q102	No.	Noted. See the response to the OPSG comment (3.957).

4.023.	OPSG	Q103	<p>This approach is complete as it also considers a forward looking assessment. However, modelling technical provisions, security and benefit adjustment mechanism with a forward looking perspective could be too complex for many IORPs.</p> <p>More generally, it is not clear why the holistic balance sheet should have a different approach to evaluate technical provisions. Only Level B (or level A with appropriate adjustments) should be considered in HBS.</p> <p>In this approach the IORP is initially able to deliver on the pension promise, without ex-post benefit reduction, with a probability corresponding to the SCR confidence level.</p> <p>The impact on National IORP systems is expected to be "limited" by EIOPA. However, this seems not the case, especially for the SCR requirement and the pillar 2/3 forward looking assessment.</p>	<p>Noted.</p> <p>EIOPA advises in its opinion to the European institutions to apply the common framework for pillar 2/3 purposes, without any additional capital or funding requirements resulting from it.</p>
4.024.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q103	<p>Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is not possible for us to provide a final assessment of any of the presented examples.</p> <p>The approach of example 3 with one framework for pillar 1 and another framework for pillar 2/3 is quite complex and bureaucratic, especially if additional national regulation rules also apply. The cost-benefit-relation is not acceptable. As we understand the</p>	<p>Noted. See the response to the OPSG comment (4.023).</p>

			outcomes of pillar 2/3 calculations can result in additional solvency requirements (at least of qualitative character but these could also induce additional capital needs). We therefore reject this alternative.	
4.025.	ACA	Q103	We do not see any evidence that this would stimulate cross-border activity. Indeed, when combined with the impact of Article 13(5) of the current IORP II agreed Council draft providing transferring regulators with a blanket veto on transfer of assets cross-border this will kill DB cross-border activity.	Noted. See the response to the OPSG comment (4.023).
4.026.	Actuarial Association of Europe	Q103	<p>We believe that any approach adopted should aim not to alter to a material extent the strength of any 'pension promise' that has already been agreed between employer and employee. As noted above (and as explained in the Consultation Paper) the strength of the 'pension promise' in relation to benefits that have already been accrued depends partly on how these benefits will be financed (including how much has already been accumulated in an IORPS to support the benefits) and partly on the impact of any additional security mechanisms supporting the promised benefits (such as sponsor support, pension protection schemes and conditionality in benefits).</p> <p>It seems to us that adhering to this principle means that:</p> <p>(a) The selected approach will in practice need largely to retain existing member-state specific valuation standards, minimum funding requirements and accompanying recovery periods etc. for benefits already accrued to date or to be accrued in future under existing promises (i.e. for current employees). Otherwise, either</p>	Noted. See the response to the OPSG comment (4.023).

			<p>the employer or the employee may object that the promise being provided (and hence its value) is being retrospectively altered to his or her disadvantage (with the impact not necessarily being uniform even within a given member state).</p> <p>(b) However, any reasonable approach could be adopted for benefits yet to be accrued or already promised. If politicians so wished (and EU treaties permitted) then this could include an approach that aimed to harmonise the strength of the 'pension promise' across member state for such benefits. Harmonisation might be considered desirable to reduce the likelihood that benefit provision will migrate to member states or structures that offer the least security of benefits. It might also be considered desirable to maximise the transparency and comparability of the 'pension promise' across the EU or from other cross-border perspectives. Conversely, it might be considered undesirable because it might impact too much on social and labour law within individual member states and if taken to its logical extreme would also favour harmonising where practical the underlying security mechanisms etc.. Any such harmonisation should ideally refer to a full HBS that takes into account all contributions to the strength of the pension promise.</p>	
4.027.	AEIP	Q103	<p>In example 3, the balance sheet intended for capital requirements (the pillar 1 balance sheet) is stated in the text to cover unconditional benefits and liabilities. In table 5.4, three HBS items elements are included: ex ante benefit reductions, legally enforceable sponsor support and PPS. Since some elements are left off the balance sheet, ex ante benefit reductions, sponsor support and the PPS will be mispriced. Therefore, the 'pillar 1' framework as presented is not usable in its current form.</p> <p>The HBS as a risk management tool includes future accrual of benefits and accompanying future contributions. Since it is not clear</p>	Noted. See the response to the OPSG comment (4.023).

			how these will develop, in addition they will require IORPs to make a lot of additional assumptions about future development of these variables.	
4.028.	Aon Hewitt	Q103	<p>Non-legally enforceable sponsor support should also be allowed to be taken into account.</p> <p>Prescribing the actual risk management tool for supervisors seems too prescriptive. Also, basing the risk management tool and second trigger point on Level A technical provisions, appears inconsistent with the use of Level B in the technical provisions. We note EIOPA states that the Pillar 2/3 balance sheet would have an impact on national IORP systems that allow IORPS to provide unsustainable pension promises, and supervisors could require such IORPs to modify pension promises. Based on our practical experience of working with supervisors in countries with large IORP markets, we think that supervisors are potentially well equipped to do this already without requiring them to use the holistic balance sheet as a risk management tool.</p>	Noted. See the response to the OPSG comment (4.023).
4.029.	Association of Pension Lawyers	Q103	<p>1. This approach appears to create a substantial amount of complexity for IORPs to deal with. We remain uncertain as to the need for a Pillar I HBS and whether any desire to be able to make comparisons between IORPs in different countries justifies the complexity that would be involved here.</p> <p>2. The Pillar 2/3 HBS does not seem to deliver any advantages over and above the current funding regime applicable to UK IORPs.</p>	Noted. See the response to the OPSG comment (4.023).
4.030.	BAPI	Q103	Q103: Do stakeholders have any general comments on (the description of) example 3?	

			<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 HBS as defined in example 3 to set funding and capital requirements is not appropriate for IORPs. As stated before, BAPI believes the HBS might be a possible risk management tool but is inappropriate to set capital requirements. BAPI believes the HBS is presented as a market consistent approach although BAPI is convinced some items on the HBS show artificial/questionable values e.g. sponsor support, pension protection schemes, risk margin, etc. The use of technical provisions at Level B to determine the level of financial assets is in line with the long term liabilities of an IORP. BAPI still questions the appropriateness of the SCR and the risk margin both copy/pasted from Solvency II. The SCR is not in line with the long term nature of the IORP's liabilities (also a problem for life insurance). A risk margin is only valuable when the transferability of the liabilities could be an issue on the market, which is not the case in the context of Belgian IORPs. BAPI</p>	<p>Noted.</p> <p>Noted. See the response to the OPSG comment (4.023).</p>
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			questions the inclusion of pure conditional benefits in the technical provisions. It is also unclear why some benefit reduction mechanisms are not taken into account. BAPI welcomes the idea that the competence to determine the recovery period is with the prudential legislation of the Member State.	
4.031.	BASF SE	Q103	The approach of example 3 with one framework for pillar 1 and another framework for pillar 2/3 sounds quite complex, especially if additional national regulation rules also shall apply. As we understand also the outcomes of pillar 2/3 calculations can result in additional solvency requirements (at least of qualitative character but these could also induce additional capital needs). We therefore reject this alternative.	Noted. See the response to the OPSG comment (4.023).
4.032.	British Telecommunications plc	Q103	<p>Q103: Do stakeholders have any general comments on (the description of) example 3?</p> <p>This approach again implies that schemes need to reach full funding on a Level A basis for members to receive their full benefits. However, schemes are only required to pay benefits as they fall due and this could also be achieved funding on a more realistic Level B basis.</p> <p>Further detail is needed on how an IORP can “restore sustainability using a flexible approach” [Table 5.4] where the sponsor does not have sufficient resources to do so.</p> <p>Further justification is also needed on how the approach has limited impact, given the lack of detail on “restoring sustainability” as</p>	Noted. See the response to the OPSG comment (4.023).

			discussed in the previous paragraph.	
4.033.	Candriam	Q103	<p>Do stakeholders have any general comments on (the description of) example 3?</p> <p>We insist valuation method specificities should be left to member states.</p> <p>A two steps approach looks sensible: first determining the funding position according to national methods, second challenging the valuation with a few stress tests for risk management purpose. However, we do not believe market valuation and the HBS are always adapted for this purpose.</p>	Noted. See the response to the OPSG comment (4.023).
4.034.	Compass Group PLC	Q103	Q103: Do stakeholders have any general comments on (the description of) example 3?	
4.035.	D & L Scott	Q103	I reject Example 3 because it seems to be framed solely in terms of a balance sheet approach.	Noted. See the response to the OPSG comment (4.023).
4.036.	Eversheds LLP	Q103		
4.037.	GDV	Q103	Do stakeholders have any general comments on (the description of) example 3?	

			It is positive that example 3 takes into account all the relevant specificities of IORPs.	Noted. See the response to the OPSG comment (4.023).
4.039.	Heathrow Airport Limited	Q103	Q103: Do stakeholders have any general comments on (the description of) example 3?	
4.040.	Hoechst-Gruppe VVaG	Q103	<p>Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is not possible for us to provide a final assessment of any of the presented examples.</p> <p>The approach of example 3 with one framework for pillar 1 and another framework for pillar 2/3 is quite complex and bureaucratic, especially if additional national regulation rules also apply. The cost-benefit-relation is not acceptable. As we understand the outcomes of pillar 2/3 calculations can result in additional solvency requirements (at least of qualitative character but these could also induce additional capital needs). We therefore reject this alternative.</p>	Noted. See the response to the OPSG comment (4.023).
4.041.	IFoA	Q103	No comment	
4.042.	IVS	Q103	In this example too, we do not understand why some important characteristics of IORPs are not taken into account. For example, we consider ignoring non-legally enforceable sponsor support	Noted. See the response to the OPSG comment (4.023).

			<p>unjustified. Although many aspects of the example are eminently reasonable, the process envisioned is very complex. The inclusion as a risk management tool is contrary to the current provisions of IORP II. Particularly under cost-benefit aspects, this approach is unreasonable but parts of it may serve as a basis for a HBS/HPF of the future.</p> <p>See our General Comments for an explanation of "HBS/HPF". Finally, it should not be forgotten that the cost/benefit analysis will in the final instance be made by the sponsoring employers with a direct effect on future generations.</p>	
4.043.	NAPF	Q103	<p>Q103: Do stakeholders have any general comments on (the description of) example 3?</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>We do not see any evidence that this would stimulate cross-border activity. Indeed, when combined with the impact of Article 13(5) of the proposed new IORP Directive as agreed in Council, which would give transferring regulators a blanket veto on the transfer of assets across borders, this would end DB cross-border activity.</p>	<p>Noted.</p> <p>Noted. See the response to the OPSG comment (4.023).</p>
4.045.	Pensioenfederatie	Q103	<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</p>	<p>Noted.</p>

			<p>transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p> <p>In example 3, in the text it is stated that the balance sheet intended for capital requirements (the pillar 1 balance sheet) should only cover unconditional elements. However, in the description in table 5.4, three conditional elements are included: ex ante benefit reductions, legally enforceable sponsor support and the PPS. Since some conditional elements are left out of the balance sheet, ex ante benefit reductions, sponsor support and the PPS will be mispriced. Therefore, the 'pillar 1' framework as presented is not usable in its current form.</p> <p>The HBS as a risk management tool includes future accrual of benefits and accompanying future contributions. Since it is not clear how these will develop, in addition they will require IORPs to make a lot of additional assumptions about future development of these variables.</p>	<p>Noted. See the response to the OPSG comment (4.023).</p>
4.046.	PensionsEurope	Q103	<p>Do stakeholders have any general comments on (the description of) example 3?</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</p>	<p>Noted.</p>

		<p>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>Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is very challenging for us to provide a final assessment of any of the presented examples.</p> <p>In example 3, the balance sheet intended for capital requirements (the pillar 1 balance sheet) is stated in the text to only cover unconditional elements. However, in the description in table 5.4, three conditional elements are included: ex ante benefit reductions, legally enforceable sponsor support and PPS. Since some conditional elements are left off the balance sheet, ex ante benefit reductions, sponsor support and the PPS will be mispriced. Therefore, the 'pillar 1' framework as presented is not usable in its current form.</p> <p>The approach of example 3 with one framework for quantitative requirements and another framework for pillar 2/3 sounds quite complex and bureaucratic, especially if additional national regulation rules also shall apply. The cost-benefit relation is not acceptable. As we understand also the outcomes of pillar 2/3 calculations can result in additional solvency requirements (at least of qualitative character but these could also induce additional capital needs). We therefore reject this alternative.</p>	<p>Noted. See the response to the OPSG comment (4.023).</p>
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			<p>The HBS as a risk management tool includes future accrual of benefits and accompanying future contributions. Since it is not clear how these will develop, in addition they will require IORPs to make a lot of additional assumptions about future development of these variables.</p> <p>In several of the supervisory frameworks, we are concerned that EIOPA suggests that sponsor support could be used to cover only the SCR. There are cases where IORPs have unlimited sponsor support which are - according to the statutes - entitled to choose to pay their sponsor support contribution over a long period regardless of their ability to pay it all immediately. Because the remaining amounts to be paid constitute claims on sponsors, they could immediately be treated as assets on the balance sheet and would hence directly improve the solvency situation. It would be very strange if these claims could not be treated as assets and hence not be used to cover technical provisions.</p> <p>In addition, as many of the building blocks of these scenarios were calculated during the last QIS exercise, PensionsEurope wonders if it is not feasible to provide a broad impact of each of these scenarios based on those results.</p>	
4.049.	RPTCL	Q103	We do not have any general comments on the description of example 3, as we are not in a position to analyse it from a pan-European perspective. However, we have considered the suitability of the approach set out in example 3 in Q104 below.	Noted. See the response to the OPSG comment (4.023).
4.050.	Society of Pension	Q103	Do stakeholders have any general comments on (the description of)	

	Professionals		<p>example 3?</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 – it is unacceptable.</p>	<p>Noted.</p> <p>Noted. See the response to the OPSG comment (4.023).</p>
4.051.	Towers Watson	Q103	<p>Do stakeholders have any general comments on (the description of) example 3?</p> <p>The inclusion of the impact of PPS is a welcome addition, but the HBS cannot be used for capital requirements, since it contains a number of inconsistent elements. It includes an SCR and some options are left out of the balance sheet, thus causing inconsistencies in the valuation of the options on the HBS. And</p>	<p>Noted. See the response to the OPSG comment (4.023).</p>

			<p>unless sponsor support can be used as a balancing item, it will be challenging to place a sensible market-consistent value on the long term commitment made by the sponsor.</p> <p>In addition, it appears the outcomes of pillar 2/3 calculations can result in additional solvency requirements (at least of qualitative character but these could also induce additional capital needs). We do not agree with this approach.</p> <p>The funding requirements described in this example are therefore potentially substantially higher than the current requirements for many Member States, which could have a significant impact on both the IORP itself and at a macro-economic level.</p> <p>The approach of example 3 with one framework for pillar 1 and another framework for pillar 2/3 is also quite complex and bureaucratic, especially if additional national regulation rules shall also apply. This additional complexity will significantly increase costs to a level where the cost-benefit relationship is not acceptable.</p> <p>The HBS is more suited to a being a risk management tool, however even this, as drafted in example 3 requires further clarification. Example 3 includes future accrual of benefits and accompanying future contributions. Since it is not clear how these will develop, IORPs will be required to make a lot of additional assumptions about future development of these variables, which introduces the potential for significant variance between member states.</p>	
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4.052.	United Utilities Group	Q103	Q103: Do stakeholders have any general comments on (the description of) example 3?	
4.053.	ZVK-Bau	Q103	Example 3 causes significant cost due to capital charges and risk management overengineering.	Noted. See the response to the OPSG comment (4.023).
4.054.	OPSG	Q104	This approach attempts to recognise the importance of the ongoing ability of the IORP to provide the benefits as they fall due, rather than just focussing on the short term solvency requirements. It is however complex and the interaction between the pillar 1 and pillar 2/3 supervisory actions is unclear. The OPSG sees no room for applying the HBS in pillar 1 and would require further detail of the proposed approach and consideration of worked examples e.g. from QIS 2 before forming a view on its applicability across the EU.	Noted. EIOPA advises in its opinion to the European institutions to apply the common framework for pillar 2/3 purposes.
4.055.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q104	<p>As it would produce a lot of burdens and cost that will negatively influence benefit levels and willingness of sponsors to provide occupational pensions we reject this alternative. See also Q103. We cannot judge the applicability in other EU Member States.</p> <p>The answer to Q103 was:</p> <p>Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is not possible for us to provide a final assessment of any of the presented examples.</p> <p>The approach of example 3 with one framework for pillar 1 and another framework for pillar 2/3 is quite complex and bureaucratic,</p>	Noted. See the response to the OPSG comment (4.054).

			especially if additional national regulation rules also apply. The cost-benefit-relation is not acceptable. As we understand the outcomes of pillar 2/3 calculations can result in additional solvency requirements (at least of qualitative character but these could also induce additional capital needs). We therefore reject this alternative.	
4.056.	Actuarial Association of Europe	Q104	We would favour a 'transitional' arrangement in which benefits accrued to date or already promised were subject to existing valuation standards, minimum funding requirements and accompanying recovery periods etc. (either indefinitely or if this was not workable for effectively a very extended period) and if changes are made to such standards etc. then they only apply to benefits yet to be accrued i.e. new promises.	Noted. See the response to the OPSG comment (4.054).
4.057.	AEIP	Q104	<p>No, example 3 can not be used for all IORPs in the EU. In example 3, it is stated in the text that the balance sheet intended for capital requirements (the pillar 1 balance sheet) should only cover unconditional benefits and liabilities. However, in the description in table 5.4, three conditional elements are included: ex ante benefit reductions, legally enforceable sponsor support and PPS. Since some conditional elements are left off the balance sheet, ex ante benefit reductions, sponsor support and the PPS will be mispriced. Therefore, the 'pillar 1' framework as presented is not usable in its current form.</p> <p>In principle, the HBS could possibly be used as a risk management tool, but needs more thought and developing before it is ready to be implemented. One issue is the necessary assumptions (see answer to Q. 103). Another thing to keep in mind is that the market value of an option on the HBS is not linked one-on-one to the probability of the option being executed times the size of the event, but also depends on pricing characteristics such as volatility</p>	Noted. See the response to the OPSG comment (4.054).

			of the financial instruments the scenario set is calibrated on.	
4.058.	Aon Hewitt	Q104	Only if supervisors have flexibility to develop their own risk management tools that can take account of national specificities.	Noted. See the response to the OPSG comment (4.054).
4.059.	Association of Pension Lawyers	Q104	No. We do not consider that example 3 could realistically be adopted for IORPs in the UK without placing an unreasonable burden on UK business and we expect that the same could be said for many other EU Member States.	Noted. See the response to the OPSG comment (4.054).
4.060.	BAPI	Q104	<p>Q104: Could example 3, in the view of stakeholders, be used for all IORPs in the EU, taking into account national specificities?</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>BAPI cannot judge on the feasibility to use this example for all</p>	<p>Noted.</p> <p>Noted. See the response to the OPSG</p>

			IORPs in the EU. For Belgian IORPS this approach seems to be too complex, too costly. Together with the negative impact of the capital requirements, imposing the complexity, the artificial/questionable results of some elements of the HBS to all IORPs in the EU will jeopardize the willingness of sponsors to provide occupational pension provisioning. As many of the building blocks of these scenarios were calculated during the QIS exercise, BAPI wonders if it is not feasible to provide a broad impact of each of these scenarios based on those results.	comment (4.054).
4.061.	BASF SE	Q104	As it would produce immense burdens and huge costs that will negatively influence benefit levels and willingness of sponsors to provide occupational pensions we reject this alternative	Noted. See the response to the OPSG comment (4.054).
4.062.	Better Finance	Q104	See response in Q100.	Noted. See the response to the OPSG comment (4.054).
4.063.	British Telecommunications plc	Q104	<p>Q104: Could example 3, in the view of stakeholders, be used for all IORPs in the EU, taking into account national specificities?</p> <p>No, we believe this approach would be detrimental to pensions schemes, members and employers.</p> <p>5.243 implies that there are regimes which allow unsustainable pension promises to be provided. In the UK the Pension Regulator has the unilateral power to stop a scheme providing future benefits where it believes there is justification to do so. If the EC has concerns in this area, we suggest further consideration is given to this power and whether it could be adopted in other regimes.</p>	Noted. See the response to the OPSG comment (4.054).

4.064.	Candriam	Q104	<p>Could example 3, in the view of stakeholders, be used for all IORPs in the EU, taking into account national specificities?</p> <p>We strongly reject the idea of a single valuation framework for all pension institutions in the EU and strongly support the idea of taking into account national specificities.</p>	Noted. See the response to the OPSG comment (4.054).
4.065.	Compass Group PLC	Q104	Q104: Could example 3, in the view of stakeholders, be used for all IORPs in the EU, taking into account national specificities?	
4.066.	D & L Scott	Q104	No.	Noted. See the response to the OPSG comment (4.054).
4.067.	EAPSPI	Q104	No.	Noted. See the response to the OPSG comment (4.054).
4.068.	Eversheds LLP	Q104		
4.069.	FSUG	Q104	See response in Q100.	Noted. See the response to the OPSG comment (4.054).
4.070.	GDV	Q104	Could example 3, in the view of stakeholders, be used for all IORPs in the EU, taking into account national specificities?	

			<p>EIOPA's work on the holistic balance sheet is an interesting starting point to investigate the risks borne by IORPs and sponsors in order to enhance the protection of members and beneficiaries. It is of utmost importance that the specificities of IORPs are taken into account appropriately and different pension schemes are treated consistently.</p> <p>The GDV always assumed that the HBS is designed as a basis for calculation of the capital requirements for IORPs. An application of it as a risk management tool does not seem to be appropriate, since it is not clear how the IORP should steer its risks according to the HBS if the employer bears some of the risks.</p> <p>As regards example 3, the question arises, how the HBS assesses the actual capital demand of different types of IORPs, especially if the balancing item approach applies. In particular, if the balancing item approach is used, then the calculation of SCR does not add additional value. 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> <p>Finally, it is important that a consistent approach is taken for different types of IORPs which is not burdensome for small and medium-sized IORPs and IORPs with many employers.</p>	<p>Noted. See the response to the OPSP comment (4.054).</p>
4.072.	Heathrow Airport Limited	Q104	<p>Q104: Could example 3, in the view of stakeholders, be used for all IORPs in the EU, taking into account national specificities?</p>	
4.073.	Hoechst-Gruppe VVaG	Q104	<p>As it would produce a lot of burdens and cost that will negatively influence benefit levels and willingness of sponsors to provide</p>	<p>Noted. See the response to the OPSP</p>

			<p>occupational pensions we reject this alternative. See also Q103. We cannot judge the applicability in other EU Member States.</p> <p>The answer to Q103 was:</p> <p>Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is not possible for us to provide a final assessment of any of the presented examples.</p> <p>The approach of example 3 with one framework for pillar 1 and another framework for pillar 2/3 is quite complex and bureaucratic, especially if additional national regulation rules also apply. The cost-benefit-relation is not acceptable. As we understand the outcomes of pillar 2/3 calculations can result in additional solvency requirements (at least of qualitative character but these could also induce additional capital needs). We therefore reject this alternative.</p>	comment (4.054).
4.074.	IFoA	Q104	No comment	
4.075.	IVS	Q104	<p>No. Excluding non-legally enforceable sponsor support schemes as well as benefit reduction mechanisms (ex-post and in case of sponsor support) from the HBS/HPF would be incomplete and misleading and does not correspond to the holistic approach. The usage of the HBS/HPF as part of pillar 2 requirements leads, especially for small IORPs, to significant additional costs without noticeable added value compared to other risk monitoring.</p>	Noted. See the response to the OPSG comment (4.054).

			See our General Comments for an explanation of "HBS/HPF".	
4.076.	Jane Marshall Consulting	Q104	No.It could not and should not.	Noted. See the response to the OPSG comment (4.054).
4.077.	NAPF	Q104	<p>Q104: Could example 3, in the view of stakeholders, be used for all IORPs in the EU, taking into account national specificities?</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>	
4.080.	Pensioenfederatie	Q104	<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, example 3 cannot be used for all IORPs in the EU. In example</p>	<p>Noted.</p> <p>Noted. See the</p>

			<p>3, it is stated in the text that the balance sheet intended for capital requirements (the pillar 1 balance sheet) should only cover unconditional elements. However, in the description in table 5.4, three conditional elements are included: ex ante benefit reductions, legally enforceable sponsor support and the PPS. Since some conditional elements are left out of the balance sheet, ex ante benefit reductions, sponsor support and the PPS will be mispriced. Therefore, the 'pillar 1' framework as presented is not usable in its current form.</p> <p>In principle, the HBS could possibly be used as a risk management tool, but needs more thought and developing before it can be implemented. One issue is the necessary assumptions (see answer to Q. 103). Another thing to keep in mind is that the market value of an option on the HBS is not one-on-one linked to the probability of the option being executed times the size of the event, but also depends on pricing characteristics such as volatility of the financial instruments the scenario set is calibrated on.</p>	<p>response to the OPSG comment (4.054).</p>
4.081.	PensionsEurope	Q104	<p>Could example 3, in the view of stakeholders, be used for all IORPs in the EU, taking into account national specificities?</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>In example 3, the balance sheet intended for capital requirements</p>	<p>Noted.</p>

		<p>(the pillar 1 balance sheet) is stated in the text to only cover unconditional elements. However, in the description in table 5.4, three conditional elements are included: ex ante benefit reductions, legally enforceable sponsor support and PPS. Since some conditional elements are left off the balance sheet, ex ante benefit reductions, sponsor support and the PPS will be mispriced. Therefore, the 'pillar 1' framework as presented is not usable in its current form.</p> <p>The approach of example 3 with one framework for pillar 1 and another framework for pillar 2/3 sounds quite complex and bureaucratic, especially if additional national regulation rules also shall apply. The cost-benefit relation is not acceptable. As we understand also the outcomes of pillar 2/3 calculations can result in additional solvency requirements (at least of qualitative character but these could also induce additional capital needs).</p> <p>In principle, the HBS could possibly be used as a risk management tool, but needs more thought and developing before it is ready to be implemented. One issue is the necessary assumptions. Another thing to keep in mind is that the market value of an option on the HBS is not linked one-on-one to the probability of the option being executed times the size of the event, but also depends on pricing characteristics such as volatility of the financial instruments the scenario set is calibrated on.</p> <p>Finally, as it would produce a lot of burden and costs that will negatively influence benefit levels and willingness of sponsors to provide occupational pensions. We therefore reject this alternative.</p>	<p>Noted. See the response to the OPSG comment (4.054).</p>
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4.084.	RPTCL	Q104	<p>We do not believe that example 3 would be appropriate to adopt at an EU level. In particular, we have concerns about the complexity and bureaucracy involved with the approach, with one framework being used for pillar 1 and another framework for pillar 2/3.</p> <p>We also have concerns about:</p> <ul style="list-style-type: none"> <input type="checkbox"/> the impact of the approach of example 3 on the costs of our IORPs, especially those costs that fall on members in the way of increased contributions. We have not quantified any impact at this stage but the shared cost nature of our IORPs would mean that 40% of this increase in technical provisions would fall on the active members of these schemes, of which there are around 85,000. <input type="checkbox"/> the impact of the approach of example 3 on investments, as we believe that it would discourage investment in long-term assets. 	Noted. See the response to the OPSG comment (4.054).
4.085.	Society of Pension Professionals	Q104	<p>Could example 3, in the view of stakeholders, be used for all IORPs in the EU, taking into account national specificities?</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</p>	Noted. See the response to the OPSG comment (4.054).

			<p>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 our view it is a matter for the Governments of individual Member States and their national competent authorities to determine whether (and if so how) to develop the idea of the HBS and integrate it into their supervisory regime.</p>	
4.086.	Towers Watson	Q104	<p>Could example 3, in the view of stakeholders, be used for all IORPs in the EU, taking into account national specificities?</p> <p>The HBS, as described in all 6 examples put forward, is not usable for setting capital requirements. In principle, the HBS could possibly be used as a risk management tool, but needs more thought and developing before it is ready to be implemented across all Member States.</p> <p>It should be noted that under this framework, as currently drafted, IORPs would be incentivised to invest more heavily in low-risk, liquid, closely matched assets to minimise the additional funding requirement. This could impact the market-price for such assets (further increasing the cost of funding) and discourage schemes from investing in longer-term growth assets such as infrastructure.</p> <p>In addition, it is difficult to see how this complex and costly framework would encourage cross border provision. Under this</p>	<p>Noted. See the response to the OPSG comment (4.054).</p>

			<p>framework, EIOPA notes that they are likely to maintain the 100% funding requirement for cross-border schemes, which will likely discourage cross border provision.</p> <p>Furthermore, a lack of clarity on what actions national competent authorities can take on the reported results of a HBS to demand modifications to make the scheme “sustainable” provide little incentive to increase cross-border provision.</p>	
4.087.	United Utilities Group	Q104	Q104: Could example 3, in the view of stakeholders, be used for all IORPs in the EU, taking into account national specificities?	
4.088.	ZVK-Bau	Q104	No.	Noted. See the response to the OPSG comment (4.054).
4.089.	OPSG	Q105	This approach seems feasible although the OPSG is of the view that an SCR is inconsistent with the use of the HBS in Pillar 1. The logic is that pure conditional benefits (excluding benefit reduction) should be covered by financial assets. With respect to example 3 also ex-post benefit reduction and reduction in case of sponsor default is introduced for SCR. Meeting SCR capital requirement is simpler, so a lower impact on IORPs is expected and a shorter transition period could be introduced (compared with example 3 which introduces also a pillar 2 requirement).	Noted.
4.090.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q105	Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is not possible for us to provide a final assessment of any of the presented examples.	Noted.

			<p>We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept it is appreciated that under example 4 Level B technical provisions are used to be covered by financial assets and that all security and benefit adjustment mechanisms could be used for covering the SCR + technical provisions. This makes example 4 one of the most complete ones, but also the most complex and bureaucratic.</p> <p>We do not understand why the recovery period shall be 1 year but can be extended through national social and labour law. This opening should also be possible within the national regulatory rules. For German IORPs, the prescriptions of example 4 may result in reasonable trigger points, at least in most constellations. However, the administrative burdens would be unjustifiable and not bearable for most IORPs.</p>	
4.091.	ACA	Q105	We do not see any evidence that this would stimulate cross-border activity. Indeed, when combined with the impact of Article 13(5) of the current IORP II agreed Council draft providing transferring regulators with a blanket veto on transfer of assets cross-border this will kill DB cross-border activity.	Noted.
4.092.	Actuarial Association of Europe	Q105	We believe that any approach adopted should aim not to alter to a material extent the strength of any 'pension promise' that has already been agreed between employer and employee. As noted above (and as explained in the Consultation Paper) the strength of the 'pension promise' in relation to benefits that have already been accrued depends partly on how these benefits will be financed (including how much has already been accumulated in an IORPS to	Noted.

		<p>support the benefits) and partly on the impact of any additional security mechanisms supporting the promised benefits (such as sponsor support, pension protection schemes and conditionality in benefits).</p> <p>It seems to us that adhering to this principle means that:</p> <p>(a) The selected approach will in practice need largely to retain existing member-state specific valuation standards, minimum funding requirements and accompanying recovery periods etc. for benefits already accrued to date or to be accrued in future under existing promises (i.e. for current employees). Otherwise, either the employer or the employee may object that the promise being provided (and hence its value) is being retrospectively altered to his or her disadvantage (with the impact not necessarily being uniform even within a given member state).</p> <p>(b) However, any reasonable approach could be adopted for benefits yet to be accrued or already promised. If politicians so wished (and EU treaties permitted) then this could include an approach that aimed to harmonise the strength of the 'pension promise' across member state for such benefits. Harmonisation might be considered desirable to reduce the likelihood that benefit provision will migrate to member states or structures that offer the least security of benefits. It might also be considered desirable to maximise the transparency and comparability of the 'pension promise' across the EU or from other cross-border perspectives. Conversely, it might be considered undesirable because it might impact too much on social and labour law within individual member states and if taken to its logical extreme would also favour harmonising where practical the underlying security mechanisms</p>	
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			etc.. Any such harmonisation should ideally refer to a full HBS that takes into account all contributions to the strength of the pension promise.	
4.093.	AEIP	Q105	This framework is not usable, since it contains some inconsistent elements . It includes an SCR and we would like to note that the SCR is not compatible with the HBS .	Noted.
4.094.	AGV Chemie	Q105	<p>Within this concept it is appreciated that under example 4 Level B technical provisions are used to be covered by financial assets and that all security and benefit adjustment mechanisms could be used for covering the SCR and technical provisions. This makes example 4 one of the most complete ones, but also the most complex and bureaucratic.</p> <p>We do not understand why the recovery period shall be 1 year but can be extended through national social and labour law. This opening should also be possible within the national regulatory rules. For German IORPs, the prescriptions of example 4 may result in reasonable trigger points, at least in most constellations. However, the administrative burdens would be unjustifiable and not bearable for most IORPs.</p>	Noted.
4.095.	Aon Hewitt	Q105	Basing the risk management tool and second trigger point on Level A technical provisions, appears inconsistent with the use of Level B in the technical provisions.	Noted.
4.096.	Association of Pension Lawyers	Q105	<ol style="list-style-type: none"> 1. We are not in favour of example 4 from a UK perspective. The most any HBS should be used for is an internal risk management tool. 2. This example would involve using the HBS to apply a watered-down insurance style solvency requirement to IORPs. 	Noted.

		<p>Although this option allows for more flexibility when assessing whether IORPs meet the SCR and Level A TPs, this is through reliance on pension protection schemes and benefit reduction mechanisms (both ongoing and in the event of sponsor default). We do not consider that it is safe to rely on these factors in the UK context as justification for the application of the SCR and Level A TPs to UK IORPs. The UK's Pension Protection Fund would not cover all of the benefits of an IORP and it is therefore unclear how much reliance or value could be placed on it for these purposes. Also, in the UK context DB pension plans are unable to reduce accrued benefits (unlike IORPs in some other Member States), so this would not mitigate the impact of imposing this approach on UK IORPs. If the HBS is used to impose SCR on IORPs, this should be based on the Level B 'best estimate' TPs to the HBS rather than Level A TPs with national Member States to specify stronger standards if appropriate.</p> <p>3. We also strongly disagree with the proposition that if an IORP does not meet the SCR the starting point should be a recovery period of less than a year to increase financial assets and/or reduce mismatch risk. The Consultation Paper recognises that this period may be extended through national social and labour law, referring to Member States permitting substantial recovery periods. However, we think that the divergence between the prescribed 1 year period and Member States' flexibility to allow substantial recovery periods is unhelpful and no set period should be prescribed, with recovery period durations left to Member States and their supervisory authorities.</p> <p>4. We are not convinced that the perceived benefits of this example in terms providing stimulus for cross-border activity or minimising the scope for regulatory arbitrage are real and certainly do not justify the additional burden this would place on employers. We do not consider that increased cross-border activity of DB</p>	
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			<p>pension plans is a meaningful prospect, with a very high proportion of DB plans now closed to new entrants and further accruals. We are also not aware of the exploitation of regulatory arbitrage for DB plans across Member States.</p> <p>5. Also, EIOPA's analysis of all the examples of supervisory frameworks ignores the practicality of the framework for IORPs and supervisors, and the costs of implementation (para 5.148), but these are extremely important factors. Costs could be significant – the Commission's own papers estimated the costs of the current IORP Directive alone at a one off extra Euros22 per member (over £300m for UK pension schemes) and this does not include the additional costs of complying with HBS/SCR requirements.</p>	
4.097.	BAPI	Q105	<p>Q105: Do stakeholders have any general comments on (the description of) example 4?</p> <p>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset 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.

			<p>The HBS as defined in example 4 to set funding and capital requirements is not appropriate for IORPs. As stated before, BAPI believes the HBS might be a possible risk management tool but is inappropriate to set capital requirements. BAPI believes the HBS is presented as a market consistent approach although BAPI is convinced some items on the HBS show artificial/questionable values e.g. sponsor support, pension protection schemes, risk margin, etc. The use of technical provisions at Level B in a HBS to determine the level of financial assets is in line with the long term liabilities of an IORP. BAPI still questions the appropriateness of the SCR and the risk margin both copy/pasted from Solvency II. The SCR is not in line with the long term nature of the IORP's liabilities (also a problem for life insurance). A risk margin is only valuable when the transferability of the liabilities could be an issue on the market, which is not the case in the context of Belgian IORPs. BAPI questions the inclusion of pure conditional in the technical provisions. It is also unclear why pension protection schemes and some benefit reduction mechanisms are not taken into account. BAPI questions, given the subsidiarity principle, if EU legislation can impose Member States to include rules about the recovery plan in national social and labour regulation.</p>	
4.098.	BASF SE	Q105	<p>We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept it is appreciated that under example 4 Level B technical provisions are used to be covered by financial assets and that all security and benefit adjustment mechanisms could be used for covering the SCR + technical provisions. We do not understand why the recovery period shall be 1 year but can be extended through national social and labour law. This opening should also be possible within the national regulatory rules. That said, example 4 and 6 are from our</p>	Noted.

			perspective the only ones that would not entirely damage existing pension systems.	
4.099.	BDA	Q105	<p>Within this concept it is appreciated that under example 4 Level B technical provisions are used to be covered by financial assets and that all security and benefit adjustment mechanisms could be used for covering the SCR and technical provisions. This makes example 4 one of the most complete ones, but also the most complex and bureaucratic.</p> <p>We do not understand why the recovery period shall be 1 year but can be extended through national social and labour law. This opening should also be possible within the national regulatory rules. For German IORPs, the prescriptions of example 4 may result in reasonable trigger points, at least in most constellations. However, the administrative burdens would be unjustifiable and not bearable for most IORPs.</p>	Noted.
4.100.	British Telecommunications plc	Q105		
4.101.	Candriam	Q105	<p>Do stakeholders have any general comments on (the description of) example 4?</p> <p>We believe several parts of the HBS cannot be sensibly calculated. In particular, we doubt one could give any realistic valuation of sponsor support. Enterprise valuation is quite a complex matter, for example, to our knowledge, around half of the mergers and acquisitions fail to produce expected results, what certainly shows that even professionals may not properly evaluate enterprises.</p>	Noted.

			The case of schemes sponsored by multiple employers, multinational companies and state related companies is even more complex.	
4.102.	Compass Group PLC	Q105	Q105: Do stakeholders have any general comments on (the description of) example 4?	
4.103.	D & L Scott	Q105	I again refer to my lengthy comments at Q48 above. The analysis in terms of matching relative to government bonds is flawed and underestimates the potential for prudent investment in certain equity and/or real estate assets.	Noted.
4.104.	Eversheds LLP	Q105		
4.105.	Evonik Industries AG	Q105	<p>Within this concept it is appreciated that under example 4 Level B technical provisions are used to be covered by financial assets and that all security and benefit adjustment mechanisms could be used for covering the SCR and technical provisions. This makes example 4 one of the most complete ones, but also the most complex and bureaucratic.</p> <p>We do not understand why the recovery period shall be 1 year but can be extended through national social and labour law. This opening should also be possible within the national regulatory rules. For German IORPs, the prescriptions of example 4 may result in reasonable trigger points, at least in most constellations. However, the administrative burdens would be unjustifiable and not bearable for most IORPs.</p>	Noted.
4.106.	GDV	Q105	Do stakeholders have any general comments on (the description of)	Noted.

			<p>example 4?</p> <p>It is positive that example 3 takes into account all the relevant specificities of IORPs.</p>	
4.108.	Heathrow Airport Limited	Q105	Q105: Do stakeholders have any general comments on (the description of) example 4?	
4.109.	Hoechst-Gruppe VVaG	Q105	<p>Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is not possible for us to provide a final assessment of any of the presented examples.</p> <p>We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept it is appreciated that under example 4 Level B technical provisions are used to be covered by financial assets and that all security and benefit adjustment mechanisms could be used for covering the SCR + technical provisions. This makes example 4 one of the most complete ones, but also the most complex and bureaucratic.</p> <p>We do not understand why the recovery period shall be 1 year but can be extended through national social and labour law. This opening should also be possible within the national regulatory rules. For German IORPs, the prescriptions of example 4 may result in reasonable trigger points, at least in most constellations. However, the administrative burdens would be unjustifiable and not bearable</p>	Noted.

			for most IORPs.	
4.110.	IFoA	Q105	No comment	
4.111.	IVS	Q105	<p>This appears to be the most reasonable of all the five examples requiring the HBS/HPF for capital requirements since it is closest to incorporating the specificities of IORPS. However, there is still significant room for further improvement in this alternative : for example, the requirement to reserve for a risk margin should be deleted (for the well-known reason that IORPs and not insurers) and the TPs should generally be subject to a level B discount rate.</p> <p>We appreciate that, with respect to the HBS, the consultation has apparently been conducted in a much more circumspect and diligent way than the first QIS. But it would be irresponsible to test it in the market in the form of a QIS when a number of important issues concerning the HBS have not even been addressed conceptually and from the point of view of practical application: for example (not a complete list)</p> <p>(i) the very concept is still fundamentally under consideration (witness the 6 very different models being presented for comment)</p> <p>(ii) it should be clearly stated what the HBS is not: it is not a balance sheet in the sense of a statement of financial position (since it contains contingent liabilities and doesn't necessarily always balance); neither may it be holistic (since 4 out of 5 of the quantitative models exclude PPS and/or non-legally enforceable sponsor support). Rather than a balance sheet for the IORP, we understand that the HBS is intended as a holistic view of the IORP from a member's / beneficiary's point of view. If so, we believe that this principle should be expressly stated in EIOPA's documentation in order to avoid misunderstandings. Following on from this logic, the label « HBS » is then a misnomer and should be amended to</p>	Noted.

			<p>« holistic prudential framework (HPF) » on condition that the adjective “holistic” is justifiable.</p> <p>(iii) most importantly, the question about the suitability of the HBS/HPF can seriously only be answered once all significant elements of the HBS/HPF have been thought through – from what we can see this is effectively lacking at present</p> <p>(iv) a number of elements of the HBS/HPF are yet to be explored to an extent that a robust model exists (e.g. risk margin, for which we see little basis if one considers the specific characteristics of most IORPs)</p> <p>(v) the debate as to whether to include TPs on the basis of level A or level B assumptions has not really been robustly held.</p> <p>Since we believe that the concept of the HBS/HPF for IORPs has not been fully consulted on, any choice for one alternative would thus very probably be incomplete and misleading.</p> <p>Finally, it should not be forgotten that the cost/benefit analysis will in the final instance be made by the sponsoring employers with a direct effect on future generations.</p>	
4.112.	NAPF	Q105	<p>Q105: Do stakeholders have any general comments on (the description of) example 4?</p> <p>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>We do not see any evidence that this would stimulate cross-border activity. Indeed, when combined with the impact of Article 13(5) of</p>	Noted.

			the proposed new IORP Directive as agreed in Council, which would give transferring regulators a blanket veto on the transfer of assets across borders, this would end DB cross-border activity.	
4.114.	Otto Group	Q105	<p>Within this concept it is appreciated that under example 4 Level B technical provisions are used to be covered by financial assets and that all security and benefit adjustment mechanisms could be used for covering the SCR and technical provisions. This makes example 4 one of the most complete ones, but also the most complex and bureaucratic.</p> <p>We do not understand why the recovery period shall be 1 year but can be extended through national social and labour law. This opening should also be possible within the national regulatory rules. For German IORPs, the prescriptions of example 4 may result in reasonable trigger points, at least in most constellations. However, the administrative burdens would be unjustifiable and not bearable for most IORPs.</p>	Noted.
4.115.	Pensioenfederatie	Q105	<p>We seriously doubt whether it will be possible to develop the HBS into an adequate tool for prudential supervision. It should be, according to us, neither be applied for capital requirements nor for transparency purposes. The HBS could possibly have a limited value as a risk management tool. However there are less complex methods that are less costly and more informative.</p> <p>We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.</p>	Noted.

			<p>The framework in example 4 is not usable, since it contains some inconsistent elements . It includes an SCR, some options are left out of the balance sheet (mixed benefits and pure discretionary benefits) and thus causes inconsistencies in the valuation of the options on the HBS. We would like to note that we think that the SCR is not compatible with the HBS.</p>	
4.116.	PensionsEurope	Q105	<p>Do stakeholders have any general comments on (the description of) example 4?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p> <p>Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is very challenging for us to provide a final assessment of any of the presented examples.</p> <p>This framework is not usable, since it contains some inconsistent elements. It includes an SCR, some options are left out of the</p>	Noted.

			<p>balance sheet (mixed benefits and pure discretionary benefits), thus causing inconsistencies in valuation of the options on the HBS. We also note that we think that the SCR is not compatible with the HBS (see above).</p> <p>However, it is appreciated that under example 4 Level B technical provisions are used to be covered by financial assets and that all security and benefit adjustment mechanisms could be used for covering the SCR + technical provisions. This makes Example 4 the most complete one, but also the most complex and bureaucratic.</p> <p>We do not understand why the recovery period shall be 1 year but can be extended through national social and labour law. This opening should also be possible within the national regulatory rules. That said, example 4 and 6 are from our perspective the ones that would less seriously damage existing pension systems.</p>	
4.119.	RPTCL	Q105	We do not have any general comments on the description of example 4, as we are not in a position to analyse it from a pan-European perspective. However, we have considered the suitability of the approach set out in example 4 in Q106 below.	Noted.
4.120.	Siemens Pensionsfonds	Q105	Within this concept it is appreciated that under example 4 Level B technical provisions are used to be covered by financial assets and that all security and benefit adjustment mechanisms could be used for covering the SCR and technical provisions. This makes example 4 one of the most complete ones, but also the most complex and bureaucratic.	Noted.

			<p>We do not understand why the recovery period shall be 1 year but can be extended through national social and labour law. This opening should also be possible within the national regulatory rules. For German IORPs, the prescriptions of example 4 may result in reasonable trigger points, at least in most constellations. However, the administrative burdens would be unjustifiable and not bearable for most IORPs.</p>	
4.121.	Society of Pension Professionals	Q105	<p>Do stakeholders have any general comments on (the description of) example 4?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>1. We are not in favour of example 4 from a UK perspective. The most any HBS should be used for is an internal risk management tool.</p>	Noted.

			<p>2. This example would involve using the HBS to apply a watered-down insurance style solvency requirement to IORPs. Although this option allows for more flexibility when assessing whether IORPs meet the SCR and Level A TPs, this is through reliance on pension protection schemes and benefit reduction mechanisms (both on-going and in the event of sponsor default). We do not consider that it is safe to rely on these factors in the UK context as justification for the application of the SCR and Level A TPs to UK IORPs. The UK's Pension Protection Fund would not cover all of the benefits of an IORP and it is therefore unclear how much reliance or value could be placed on it for these purposes. Also, in the UK context DB pension plans are unable to reduce accrued benefits (unlike IORPs in some other Member States), so this would not mitigate the impact of imposing this approach on UK IORPs. If the HBS is used to impose SCR on IORPs, this should be based on the Level B 'best estimate' TPs to the HBS rather than Level A TPs, with national Member States being able to specify stronger standards if appropriate.</p> <p>3. We also strongly disagree with the proposition that if an IORP does not meet the SCR the starting point should be a recovery period of less than a year to increase financial assets and/or reduce mismatch risk. The Consultation Paper recognises that this period may be extended through national social and labour law, referring to Member States permitting substantial recovery periods. However, we think that the divergence between the prescribed 1 year period and Member States' flexibility to allow substantial recovery periods is unhelpful and no set period should be prescribed, with recovery period durations left to Member States and their supervisory authorities.</p> <p>4. We are not convinced that the perceived benefits of this example in terms providing stimulus for cross-border activity or</p>	
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			<p>minimising the scope for regulatory arbitrage are real and certainly do not justify the additional burden this would place on employers. We do not consider that increased cross-border activity of DB pension plans is a meaningful prospect, with a very high proportion of DB plans now closed to new entrants and further accruals.</p> <p>5. Also, EIOPA's analysis of all the examples of supervisory frameworks ignores the practicality of the framework for IORPs and supervisors, and the costs of implementation (para 5.148), but these are extremely important factors. Costs could be significant – the Commission's own papers estimated the costs of the current IORP Directive alone at a one off extra Euros22 per member (over £300m for UK pension schemes) and this does not include the additional costs of complying with HBS/SCR requirements.</p>	
4.122.	Towers Watson	Q105	<p>Do stakeholders have any general comments on (the description of) example 4?</p> <p>Relative to example 3 the inclusion of sponsor support, together with allowance for benefits to be reduced on sponsor default and coverage provided by PPS, are welcome additions. Also, the absence of additional reporting requirements under Pillar's 1 and 2 is an improvement. Nevertheless, this framework is not usable in its current form as it still contains some inconsistent elements. For example, it includes an SCR when some options are still left out of the balance sheet (mixed benefits and pure discretionary benefits) or are not relevant in some Member States, thus causing inconsistencies in the valuation of the options on the HBS.</p> <p>Furthermore, we do not understand why the recovery period should be set at 1 year – recovery periods should be determined at a national level taking into account the specific circumstances of the social and regulatory environment in which the IORP operates.</p>	Noted.

			Furthermore, it is unclear why the recovery period can be extended through national social and labour law but not within the national regulatory rules.	
4.123.	United Utilities Group	Q105	Q105: Do stakeholders have any general comments on (the description of) example 4?	
4.124.	ZVK-Bau	Q105	Apart from the overall unfitting concept of the HBS for our scheme we regard as being one of the lesser dangerous ones. But every concept that might lead to a capital charge and every concept that is costly to implement and difficult to communicate influences sponsor willingness negatively.	Noted.
4.125.	OPSG	Q106	This approach addresses some of the concerns expressed in relation to earlier examples. The OPSG would require further detail of the proposed approach and consideration of worked examples e.g. from QIS 2 before forming a view on its applicability across the EU.	Noted.
4.126.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q106	<p>For Germany, see Q105. We cannot judge the applicability in other EU Member States.</p> <p>The answer to Q105 was:</p> <p>Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is not possible for us to provide a final assessment of any of the presented examples.</p> <p>We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept it is</p>	Noted.

			<p>appreciated that under example 4 Level B technical provisions are used to be covered by financial assets and that all security and benefit adjustment mechanisms could be used for covering the SCR + technical provisions. This makes example 4 one of the most complete ones, but also the most complex and bureaucratic.</p> <p>We do not understand why the recovery period shall be 1 year but can be extended through national social and labour law. This opening should also be possible within the national regulatory rules. For German IORPs, the prescriptions of example 4 may result in reasonable trigger points, at least in most constellations. However, the administrative burdens would be unjustifiable and not bearable for most IORPs.</p>	
4.127.	Actuarial Association of Europe	Q106	We would favour a 'transitional' arrangement in which benefits accrued to date or already promised were subject to existing valuation standards, minimum funding requirements and accompanying recovery periods etc. (either indefinitely or if this was not workable for effectively a very extended period) and if changes are made to such standards etc. then they only apply to benefits yet to be accrued i.e. new promises.	Noted.
4.128.	AEIP	Q106	No. This framework is not usable, since it includes an SCR.	Noted.
4.129.	Aon Hewitt	Q106	Basing the risk management tool and second trigger point on Level A technical provisions, appears inconsistent with the use of Level B in the technical provisions.	Noted.
4.130.	Association of Pension Lawyers	Q106	No. We do not consider that example 4 could realistically be adopted for IORPs in the UK without placing an unreasonable burden on UK business and we expect that the same could be said	Noted.

			for many other EU Member States.	
4.131.	BAPI	Q106	<p>Q106: Could example 4, in the view of stakeholders, be used for all IORPs in the EU?</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>BAPI cannot judge on the feasibility to use this example for all IORPs in the EU. For Belgian IORPS this approach seems to be too complex, too costly. Together with the negative impact of the capital requirements, imposing the complexity, the artificial/questionable results of some elements of the HBS to all IORPs in the EU will jeopardize the willingness of sponsors to provide occupational pension provisioning.</p> <p>As many of the building blocks of these scenarios were calculated during the QIS exercise, BAPI wonders if it is not feasible to provide a broad impact of each of these scenarios based on those results.</p>	Noted.

4.132.	BASF SE	Q106	Under the given examples this one would be the second (after example 6) appropriate one. However, we still question the necessity of a market consistent valuation.	Noted.
4.133.	Better Finance	Q106	See response in Q100.	Noted.
4.134.	British Telecommunications plc	Q106	Q106: Could example 4, in the view of stakeholders, be used for all IORPs in the EU? No, we believe this approach would be detrimental to pensions schemes, members and employers.	Noted.
4.135.	Candriam	Q106	Could example 4, in the view of stakeholders, be used for all IORPs in the EU? We strongly reject the idea of a single valuation framework for all pension institutions in the EU.	Noted.
4.136.	Compass Group PLC	Q106	Q106: Could example 4, in the view of stakeholders, be used for all IORPs in the EU?	
4.137.	D & L Scott	Q106	No.	Noted.
4.138.	EAPSPI	Q106	EAPSPI would agree that example 4 could be used for IORPs in the EU only in the unchangeable case that the use of the HBS would have to exceed the risk management tool function within pillar II	Noted.
4.139.	Eversheds LLP	Q106		
4.140.	FSUG	Q106	See response in Q100.	Noted.

4.141.	GDV	Q106	<p>Could example 4, in the view of stakeholders, be used for all IORPs in the EU?</p> <p>EIOPA's work on the holistic balance sheet is an interesting starting point to investigate the risks borne by IORPs and sponsors in order to enhance the protection of members and beneficiaries. It is of utmost importance that the specificities of IORPs are taking into account appropriately and different pension schemes are treated consistently.</p> <p>It needs to be analysed thoroughly whether and how the HBS reflects the risks of different types of IORPs and sponsors. As regards example 4, the question arises, how the HBS assesses the actual capital demand and the true risk exposure of different types of IORPs, especially if the balancing item approach applies. 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> <p>Finally, it is important that a consistent approach is taken for different types of IORPs which is not burdensome for small and medium-sized IORPs and IORPs with many employers.</p>	Noted.
4.143.	Heathrow Airport Limited	Q106	Q106: Could example 4, in the view of stakeholders, be used for all IORPs in the EU?	
4.144.	Hoechst-Gruppe VVaG	Q106	For Germany, see Q105. We cannot judge the applicability in other EU Member States.	Noted.

			<p>The answer to Q105 was:</p> <p>Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is not possible for us to provide a final assessment of any of the presented examples.</p> <p>We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept it is appreciated that under example 4 Level B technical provisions are used to be covered by financial assets and that all security and benefit adjustment mechanisms could be used for covering the SCR + technical provisions. This makes example 4 one of the most complete ones, but also the most complex and bureaucratic.</p> <p>We do not understand why the recovery period shall be 1 year but can be extended through national social and labour law. This opening should also be possible within the national regulatory rules. For German IORPs, the prescriptions of example 4 may result in reasonable trigger points, at least in most constellations. However, the administrative burdens would be unjustifiable and not bearable for most IORPs.</p>	
4.145.	IFoA	Q106	No comment	
4.146.	IVS	Q106	Subject to considering the many other questions still open, we consider this to be the most reasonable quantitative regime of	Noted.

			those presented (but still able to be improved somewhat). In particular, we believe that using a risk margin is not appropriate for IORPs.	
4.147.	Jane Marshall Consulting	Q106	No.It could not and should not.	Noted.
4.148.	NAPF	Q106	Q106: Could example 4, in the view of stakeholders, be used for all IORPs in the EU? 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	
4.151.	Pensioenfederatie	Q106	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 towards participants. 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. We answer this question despite of the above mentioned doubts, in order to provide our constructive input to the works of EIOPA.	Noted.

			<p>No. This framework is not usable, since it contains some inconsistent elements . It includes an SCR, some options are left out of the balance sheet (mixed benefits and pure discretionary benefits) and thus causes inconsistencies in the valuation of the options on the HBS.</p>	
4.152.	PensionsEurope	Q106	<p>Could example 4, in the view of stakeholders, be used for all IORPs in the EU?</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. This framework is not usable, since it contains some inconsistent elements . It includes an SCR, some options are left out of the balance sheet (mixed benefits and pure discretionary benefits), thus causing inconsistencies in valuation of the options on the HBS.</p> <p>However, together with examples 6 and example 2 with the inclusion of PPS, example 4 would be the less damaging example. It would have to include generous simplifications and transitional measures. Once again, as stressed in the General Remarks, we</p>	Noted.

			emphasise that simplifications might lead to uncomparable outcomes, that is why they have to be carefully designed.	
4.155.	RPTCL	Q106	<p>We believe that example 4 is marginally better than the example 3 approach, due to the allowance for benefit reductions on sponsor default and lesser reporting requirements. However, we still do not consider the approach in example 4 would be appropriate to adopt at an EU level due to concerns about:</p> <ul style="list-style-type: none"> <input type="checkbox"/> the impact of the approach of example 3 on the costs of our IORPs, especially those costs that fall on members in the way of increased contributions. We have not quantified any impact at this stage but the shared cost nature of our IORPs would mean that 40% of this increase in technical provisions would fall on the active members of these schemes, of which there are around 85,000. <input type="checkbox"/> the impact of the approach of example 3 on investments, as we believe that it would discourage investment in long-term return-seeking assets. 	Noted.
4.156.	Society of Pension Professionals	Q106	<p>Could example 4, in the view of stakeholders, be used for all IORPs in the EU?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p>	Noted.

			<p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>No. We do not consider that example 4 could realistically be adopted for IORPs in the UK without placing an unreasonable burden on UK business and we expect that the same could be said for many other EU Member States.</p>	
4.157.	Towers Watson	Q106	<p>Could example 4, in the view of stakeholders, be used for all IORPs in the EU?</p> <p>No. This framework is not usable, since it contains some inconsistent elements and the valuation of those elements which are included would be very complex (unless the balancing item principle was more widely adopted). In addition,</p> <p><input type="checkbox"/> Whilst some of the additional funding requirements may be mitigated by allowance for potential benefit reductions on default in some Member States, this scenario is likely to result in increased funding requirements, particularly for IORPs with low sponsor support values as compared to solvency liabilities, or where placing a value on sponsor support is particularly difficult (eg charitable organisations or multi-employer schemes). This, in turn could lead to a short to medium term increase on claims to pension protection</p>	Noted.

			<p>schemes.</p> <p><input type="checkbox"/> Under this framework, IORPs could be incentivised to invest more in low-risk, liquid, closely matched assets. This could impact the market-price for such assets (further increasing the cost of funding) and discourage schemes from investing in longer-term growth assets such as infrastructure.</p> <p><input type="checkbox"/> It is difficult to believe scheme sponsors would be more willing to set up cross-border plans in an environment where funding costs are higher.</p>	
4.158.	United Utilities Group	Q106	Q106: Could example 4, in the view of stakeholders, be used for all IORPs in the EU?	
4.159.	ZVK-Bau	Q106	No. Especially smaller and medium sized IORPs would definitely run in troubles.	Noted.
4.160.	OPSG	Q107	This approach also attempts to recognise the importance of the ongoing ability of the IORP to provide the benefits as they fall due, rather than just focussing on the short term solvency requirements. No SCR capital requirement is introduced in Pillar 1 but a more harmonized approach based on Level A estimate is introduced. The use of a level A TP estimate could lead to a strong impact on IORPs for whom technical provisions are currently calculated on a Level B approach, as permitted under the IORP Directive and national legislation, requiring a very long transitional period and/or recovery period.	Noted.
4.161.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q107	Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is not possible for us to provide a final assessment of any of the	Noted.

			<p>presented examples.</p> <p>This framework would require a market consistent valuation of technical provisions and for SCR which is not appropriate for the long-term character of the promises, it is a very complex system.</p> <p>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 early cancellations. So the current market situation cannot be the determining factor. The pillar 2 HBS results shall be disclosed publicly according to this example. This will lead to mis-interpretations by members and beneficiaries since the results are neither easy to explain nor to understand, especially the effects of "market consistent" discount rates. The disclosure requirement is therefore not acceptable for IORPs and their sponsors. And even if a pillar 2 underfunding does not impose directly a higher capital need this could be succeeded by a modification of the pension arrangement.</p>	
4.162.	ACA	Q107	We do not see any evidence that this would stimulate cross-border activity. Indeed, when combined with the impact of Article 13(5) of the current IORP II agreed Council draft providing transferring regulators with a blanket veto on transfer of assets cross-border this will kill DB cross-border activity.	Noted.
4.163.	Actuarial Association of Europe	Q107	We believe that any approach adopted should aim not to alter to a material extent the strength of any 'pension promise' that has already been agreed between employer and employee. As noted above (and as explained in the Consultation Paper) the strength of the 'pension promise' in relation to benefits that have already been	Partially agreed, EIOPA advises a common framework for risk assessment and transparency, while

		<p>accrued depends partly on how these benefits will be financed (including how much has already been accumulated in an IORPS to support the benefits) and partly on the impact of any additional security mechanisms supporting the promised benefits (such as sponsor support, pension protection schemes and conditionality in benefits).</p> <p>It seems to us that adhering to this principle means that:</p> <p>(a) The selected approach will in practice need largely to retain existing member-state specific valuation standards, minimum funding requirements and accompanying recovery periods etc. for benefits already accrued to date or to be accrued in future under existing promises (i.e. for current employees). Otherwise, either the employer or the employee may object that the promise being provided (and hence its value) is being retrospectively altered to his or her disadvantage (with the impact not necessarily being uniform even within a given member state).</p> <p>(b) However, any reasonable approach could be adopted for benefits yet to be accrued or already promised. If politicians so wished (and EU treaties permitted) then this could include an approach that aimed to harmonise the strength of the 'pension promise' across member state for such benefits. Harmonisation might be considered desirable to reduce the likelihood that benefit provision will migrate to member states or structures that offer the least security of benefits. It might also be considered desirable to maximise the transparency and comparability of the 'pension promise' across the EU or from other cross-border perspectives. Conversely, it might be considered undesirable because it might impact too much on social and labour law within individual member</p>	<p>leaving existing capital and funding requirements in place.</p>
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			states and if taken to its logical extreme would also favour harmonising where practical the underlying security mechanisms etc.. Any such harmonisation should ideally refer to a full HBS that takes into account all contributions to the strength of the pension promise.	
4.164.	AEIP	Q107	<p>The pillar 1 framework presented in example 5 is not suitable for capital requirements, since it contains some inconsistent elements . Some options are left out of the balance sheet (sponsor support, ex post benefit reductions and, regarding the Dutch situation, conditional and mixed benefits), thus causing inconsistencies in valuation of the options that are on the HBS.</p> <p>If the proposed pillar 2 framework would include an SCR, this is not consistent with the methodology and it is illogical to put an SCR in pillar 2.</p>	Noted.
4.165.	Aon Hewitt	Q107	Using this method, including the use of Level A as a minimum, could have an unwelcome material impact on sponsors of IORPs. It would also discourage investment in long-term assets, which would go against other EU growth objectives.	Noted.
4.166.	Association of Pension Lawyers	Q107	<p>1. We are not in favour of example 5 from a UK perspective because our position is that if IORPs are only required to use the HBS as a risk management tool, it should only be an internal tool and the proposal for the harmonisation of TPs on a market-consistent basis across Member States would undermine the UK scheme specific funding regime.</p> <p>2. In relation to the use of the HBS as a risk management tool the Consultation Paper refers to its assessment being subject to public disclosure, but also to national supervisory authorities being able to require IORPs that have insufficient assets to cover the SCR</p>	Noted.

		<p>to put in place a recovery plan in order to ensure the IORPs are able to fulfil the pension promise. We think there is a risk that, although presumably not intended by this example, this could still introduce insurance style solvency requirement to IORPs and that the use of the HBS should be as an internal tool only. The Consultation Paper also refers to the supervisory authorities having the power to force IORPs to modify the pension arrangement to ensure that the pension promise can be fulfilled and, given the inability under UK law to reduce accrued benefits, we do not consider this is a realistic option.</p> <p>3. The proposal for the harmonisation of TPs on a market-consistent basis across Member States would cut across the UK’s existing scheme specific funding regime. This regime is a flexible one which takes account of the individual circumstances of UK IORPs and their sponsoring employers. As such we would view it as a retrograde step, attempting to impose a “one size fits all” regime on the diversity of UK IORPs.</p> <p>4. We are not convinced that the perceived benefits of this example in terms providing stimulus for cross-border activity or minimising the scope for regulatory arbitrage are real and certainly do not justify the additional burden this would place on employers. We do not consider that increased cross-border activity of DB pension plans is a meaningful prospect with a very high proportion of DB plans closed to new entrants and further accruals. We are also not aware of the exploitation of regulatory arbitrage for DB plans across Member States.</p> <p>5. Also, EIOPA’s analysis of all the examples of supervisory frameworks ignores the practicality of the framework for IORPs and supervisors, and the costs of implementation (para 5.148), but these are important factors. Costs could be significant – the Commission’s own papers estimated the costs of the current IORP</p>	
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			Directive alone at a one off extra Euros22 per member (over £300m for UK pension schemes) and this does not include the additional costs of complying with HBS/SCR requirements.	
4.167.	BAPI	Q107	<p>Q107: Do stakeholders have any general comments on (the description of) example 5?</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 HBS as defined in example 5 might be used as a risk management tool but is inappropriate to set the funding requirements. Besides HBS other more appropriate approaches for risk management are available. The use of technical provisions at Level A in a HBS which is used to determine the level of financial assets is not in line with the long term liabilities of an IORP. This Level A approach might be used for risk management. BAPI still questions the appropriateness of the SCR and the risk margin both</p>	Noted.

			copy/pasted from Solvency II. The SCR is not in line with the long term nature of the IORP's liabilities (also a problem for life insurance). A risk margin is only valuable when the transferability of the liabilities could be an issue on the market, which is not the case in the context of Belgian IORPs. BAPI regrets the full Level A technical provision has to be covered with financial assets and questions the inclusion of pure conditional and mixed benefits in the technical provisions. It is also unclear why sponsor support, pension protection schemes and some benefit reduction mechanisms are not taken into account.	
4.168.	BASF SE	Q107	<p>This framework would require a market consistent valuation of technical provisions and for SCR which is not appropriate for the long-term character of the promises.</p> <p>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 early cancellations. So the current market situation cannot be the determining factor. The pillar 2 HBS results shall be disclosed publicly. This will lead to mis-interpretations by members and beneficiaries since the results are neither easily to explain nor to understand, especially the effects of "market consistent" discount rates. It also could damage the ratings and share prices of publically listed corporations. Even if a pillar 2 underfunding does not impose directly a higher capital need this could be succeeded by a modification of the pension arrangement.</p>	Noted.
4.169.	Candriam	Q107	<p>Do stakeholders have any general comments on (the description of) example 5?</p> <p>We believe several parts of the HBS cannot be sensibly calculated.</p>	Noted.

			<p>In particular, we doubt one could give any realistic valuation of sponsor support. Enterprise valuation is quite a complex matter, for example, to our knowledge, around half of the mergers and acquisitions fail to produce expected results, what certainly shows that even professionals may not properly evaluate enterprises. The case of schemes sponsored by multiple employers, multinational companies and state related companies is even more complex.</p> <p>We do not think level A technical provisions are appropriate for all cases.</p>	
4.170.	Compass Group PLC	Q107	Q107: Do stakeholders have any general comments on (the description of) example 5?	
4.171.	D & L Scott	Q107	The use of «market-consistent» bases is worrying and I have referred earlier above in commenting on Q48 about the use of market values as good measures of «fair» (or intrinsic) values.	Noted.
4.172.	Eversheds LLP	Q107		
4.173.	GDV	Q107	<p>Do stakeholders have any general comments on (the description of) example 5?</p> <p>Example 5 does not fully take into account relevant specificities of IORPs such as protection and benefit adjustment mechanisms.</p>	Noted.
4.175.	Heathrow Airport Limited	Q107	Q107: Do stakeholders have any general comments on (the description of) example 5?	

4.176.	Hoechst-Gruppe VVaG	Q107	<p>Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is not possible for us to provide a final assessment of any of the presented examples.</p> <p>This framework would require a market consistent valuation of technical provisions and for SCR which is not appropriate for the long-term character of the promises, it is a very complex system.</p> <p>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 early cancellations. So the current market situation cannot be the determining factor. The pillar 2 HBS results shall be disclosed publicly according to this example. This will lead to mis-interpretations by members and beneficiaries since the results are neither easy to explain nor to understand, especially the effects of "market consistent" discount rates. The disclosure requirement is therefore not acceptable for IORPs and their sponsors. And even if a pillar 2 underfunding does not impose directly a higher capital need this could be succeeded by a modification of the pension arrangement.</p>	Noted.
4.177.	IFoA	Q107	No comment	
4.178.	IVS	Q107	We are surprised that example 5 is even more draconian than examples 1 and 2 in considering to exclude taking account of PPS.	Noted.

			<p>In our opinion, there seems to be no justification whatsoever to even consider such an option. Suggesting such radical concepts in 3 of the 5 quantitative regimes of the proposed regulatory frameworks begs the question whether the leadership at the Commission/EIOPA has understood the very basic concepts of IORPs. This is one of many examples that is not conducive to a constructive « working together » approach.</p> <p>Finally, it should not be forgotten that the cost/benefit analysis will in the final instance be made by the sponsoring employers with a direct effect on future generations.</p>	
4.179.	NAPF	Q107	<p>Q107: Do stakeholders have any general comments on (the description of) example 5?</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>We do not see any evidence that this would stimulate cross-border activity. Indeed, when combined with the impact of Article 13(5) of the proposed new IORP Directive as agreed in Council, which would give transferring regulators a blanket veto on the transfer of assets across borders, this would end DB cross-border activity.</p>	Noted.
4.181.	Pensioenfederatie	Q107	<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</p>	Noted.

			<p>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 pillar 1 framework presented in example 5 is not suitable for capital requirements, since it contains some inconsistent elements . Some options are left out of the balance sheet (sponsor support, mixed benefits, ex post benefit reductions), thus causing inconsistencies in valuation of the options that are on the HBS.</p> <p>If the proposed pillar 2 framework would include an SCR, this is not consistent with the methodology and it is illogical to put an SCR in pillar 2. The positive side of using the HBS as a risk management tool is that it would include all options (like conditional and mixed benefits, sponsor support and benefit cuts) in the HBS.</p>	
4.182.	PensionsEurope	Q107	<p>Do stakeholders have any general comments on (the description of) example 5?</p> <p>PensionsEurope does not support the Holistic Balance Sheet project: We consider the initiative to be conceptually wrong (see General Remarks) and expect some negative impacts on both micro and macroeconomic levels if the HBS were to be introduced at European level. However PensionsEurope is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</p>	Noted.

			<p>Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is very challenging for us to provide a final assessment of any of the presented examples.</p> <p>The pillar 1 framework in example 5 is not usable, since it contains some inconsistent elements. Some options are left out of the balance sheet (sponsor support, mixed benefits, ex post benefit reductions), thus causing inconsistencies in valuation of the options that are on the HBS. This framework would require a market consistent valuation of technical provisions and for an SCR which is not appropriate for the long-term character of the promises, it is a very complex system.</p> <p>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 early cancellations. So the current liabilities cannot be the determining factor. The public disclosure would lead to mis-interpretations by members and beneficiaries since the results are neither easily to explain nor to understand, especially the effects of "market consistent" discount rates (see also Q74). The disclosure requirement is therefore not acceptable for IORPs and their sponsors. And even if a pillar 2 underfunding does not impose directly a higher capital need this could be succeeded by a modification of the pension arrangement.</p>	
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			<p>If the proposed pillar 2 framework would include an SCR, this is not consistent with the methodology and it is illogical to include an SCR for risk management. The positive side of the pillar 2 framework is that it would include all options (like conditional and mixed benefits, sponsor support and benefit cuts) in the HBS.</p>	
4.185.	RPTCL	Q107	<p>We do not have any general comments on the description of example 5, as we are not in a position to analyse it from a pan-European perspective. However, we have considered the suitability of the approach set out in example 5 in Q108 below.</p>	Noted.
4.186.	Society of Pension Professionals	Q107	<p>Do stakeholders have any general comments on (the description of) example 5?</p> <ol style="list-style-type: none"> 1. We are not in favour of example 5 from a UK perspective because our position is that if IORPs are only required to use the HBS as a risk management tool, it should only be an internal tool and the proposal for the harmonisation of TPs on a market-consistent basis across Member States would undermine the UK scheme specific funding regime. 2. In relation to the use of the HBS as a risk management tool the Consultation Paper refers to its assessment being subject to public disclosure, but also to national supervisory authorities being able to require IORPs that have insufficient assets to cover the SCR to put in place a recovery plan in order to ensure the IORPs are able to fulfil the pension promise. We think there is a risk that, although presumably not intended by this example, this could still introduce insurance style solvency requirement to IORPs and that the use of the HBS should be as an internal tool only. The Consultation Paper also refers to the supervisory authorities having the power to force IORPs to modify the pension arrangement to ensure that the pension promise can be fulfilled and, given the 	Noted.

			<p>inability under UK law to reduce accrued benefits, we do not consider this is a realistic option.</p> <p>3. The proposal for the harmonisation of TPs on a market-consistent basis across Member States would cut across the UK's existing scheme specific funding regime. This regime is a flexible one which takes account of the individual circumstances of UK IORPs and their sponsoring employers. As such we would view it as a retrograde step, attempting to impose a "one size fits all" regime on the diversity of UK IORPs.</p> <p>4. We are not convinced that the perceived benefits of this example in terms providing stimulus for cross-border activity or minimising the scope for regulatory arbitrage are real and certainly do not justify the additional burden this would place on employers. We do not consider that increased cross-border activity of DB pension plans is a meaningful prospect with a very high proportion of DB plans closed to new entrants and further accruals.</p> <p>5. Also, EIOPA's analysis of all the examples of supervisory frameworks ignores the practicality of the framework for IORPs and supervisors, and the costs of implementation (para 5.148), but these are important factors. Costs could be significant – the Commission's own papers estimated the costs of the current IORP Directive alone at a one off extra Euros22 per member (over £300m for UK pension schemes) and this does not include the additional costs of complying with HBS/SCR requirements.</p>	
4.187.	Towers Watson	Q107	<p>Do stakeholders have any general comments on (the description of) example 5?</p> <p>The HBS is not suitable for determining Pillar 1 capital requirements. Attempting to directly replicate an insurance style solvency regime for IORPs is not appropriate, as it fails to take into</p>	Noted.

			<p>account the nature of the promise and the long-term position of occupational pension schemes, particularly in countries like the UK, Germany and the Netherlands. The proposed approach may be appropriate for insurance contracts, as hypothetically all contracts could be cancelled at the same time, but for occupational pensions social and labour law does not allow early cancellations. So the current market valuation cannot be the sole determining factor.</p> <p>The HBS may be usable as a risk management tool for reporting under Pillar 2, although not in its current form – inclusion of an SCR, on top of level A provisions and a regulatory own funds requirement is not consistent with the methodology and it seems illogical to include an SCR in Pillar 2, as currently drafted. The positive side of the proposed Pillar 2 framework is that it would include all options (like conditional and mixed benefits, sponsor support and benefit cuts) in the HBS, but this would make it administratively complex and very hard to value if the balancing item principle is not more widely adopted.</p> <p>Furthermore, the public disclosure of what are quite complex calculations would likely lead to mis-interpretations by members and beneficiaries since the results are neither easily explained nor understood, especially the effects of “market consistent” discount rates. The disclosure requirement is therefore not acceptable for IORPs and their sponsors.</p>	
4.188.	United Utilities Group	Q107	Q107: Do stakeholders have any general comments on (the description of) example 5?	
4.189.	ZVK-Bau	Q107	Once again a regulatory framework based on Level A technical provisions is an unfitting concept for IORPs. The model is complex and bureaucratic and misses important security items.	Noted.

4.190.	OPSG	Q108	<p>This example is less complex than Example 3, but would require a long transitional period if it were to be implemented for all IORPs in the EU, and might lead to a significant reduction in defined benefit IORPs. The OPSG would require further detail of the proposed approach and consideration of worked examples e.g. from QIS 2 before forming a view on its applicability across the EU.</p>	Noted.
4.191.	<p>aba Arbeitsgemeinschaft für betriebliche Altersve</p>	Q108	<p>Not for Germany, see Q107. We cannot judge the applicability in other EU Member States.</p> <p>The answer to Q107 was:</p> <p>Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is not possible for us to provide a final assessment of any of the presented examples.</p> <p>This framework would require a market consistent valuation of technical provisions and for SCR which is not appropriate for the long-term character of the promises, it is a very complex system.</p> <p>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 early cancellations. So the current market situation cannot be the determining factor. The pillar 2 HBS results shall be disclosed publicly according to this example. This will lead to mis-interpretations by members and beneficiaries since the results are neither easily to explain nor to</p>	Noted.

			understand, especially the effects of “market consistent” discount rates. The disclosure requirement is therefore not acceptable for IORPs and their sponsors. And even if a pillar 2 underfunding does not impose directly a higher capital need this could be succeeded by a modification of the pension arrangement.	
4.192.	Actuarial Association of Europe	Q108	We would favour a ‘transitional’ arrangement in which benefits accrued to date or already promised were subject to existing valuation standards, minimum funding requirements and accompanying recovery periods etc. (either indefinitely or if this was not workable for effectively a very extended period) and if changes are made to such standards etc. then they only apply to benefits yet to be accrued i.e. new promises.	Noted.
4.193.	AEIP	Q108	The pillar 1 framework presented in example 5 is not usable for capital requirements because it excludes some, but not all options from the balance sheet, thus causing mispricing in the remaining option, such as ex ante benefit reductions. The HBS is not usable as a risk management tool as laid down in example 5, as it includes an SCR. We would like to note that we think that the SCR is not compatible with the HBS.	Noted.
4.194.	Aon Hewitt	Q108	Potentially yes, if Level B is used for the second trigger point as well as the first trigger point, and the SCR is not set at an onerous level. For example, use of 99.5% confidence level in the SCR calculation would be especially onerous particularly for IORPs that invest in long-term assets and have a sponsor support that is neither strong nor weak.	Noted.
4.195.	Association of Pension Lawyers	Q108	No. We do not consider that example 5 could realistically be adopted for IORPs in the UK without placing an unreasonable burden on UK business and we expect that the same could be said	Noted.

			for many other EU Member States.	
4.196.	BAPI	Q108	<p>Q108: Could example 5, in the view of stakeholders, be used for all IORPs in the EU?</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 example 5 is no option for IORPs in EU. Given financial assets need to cover an (increased) minimal Level A, this scenario could have a severe impact on willingness of sponsors to organize occupational pensions without transferring all risks to the members and beneficiaries, on the sponsor business, and in general on the economic development and growth in the EU.</p> <p>Technical provisions at Level A seem to be unreasonable given the long term liabilities of IORPs and the benefit security mechanisms like sponsor support and pension protection schemes. As questioned in previous exercises, we do not see any relevance of</p>	Noted.

			<p>the risk margin in the context of a non-profit sector. This is again a copy/paste of the Solvency II regulation which is not adequate for an IORP environment.</p> <p>HBSAs many of the building blocks of these scenarios were calculated during the QIS exercise, BAPI wonders if it is not feasible to provide a broad impact of each of these scenarios based on those results.</p>	
4.197.	BASF SE	Q108	No.	Noted.
4.198.	Better Finance	Q108	See response in Q100.	Noted.
4.199.	British Telecommunications plc	Q108	<p>Q108: Could example 5, in the view of stakeholders, be used for all IORPs in the EU?</p> <p>No, we believe this approach would be detrimental to pensions schemes, members and employers.</p>	Noted.
4.200.	Candriam	Q108	<p>Could example 5, in the view of stakeholders, be used for all IORPs in the EU?</p> <p>We strongly reject the idea of a single valuation framework for all pension institutions in the EU.</p>	Noted.
4.201.	Compass Group PLC	Q108	Q108: Could example 5, in the view of stakeholders, be used for all IORPs in the EU?	
4.202.	D & L Scott	Q108	No.	Noted.
4.203.	EAPSPI	Q108	No.	Noted.

4.204.	Eversheds LLP	Q108		
4.205.	FSUG	Q108	See response in Q100.	Noted.
4.206.	GDV	Q108	<p>Could example 5, in the view of stakeholders, be used for all IORPs in the EU?</p> <p>For above mentioned reasons (see Q 107), example 5 does not seem to be suitable for IORPs.</p>	Noted.
4.208.	Heathrow Airport Limited	Q108	Q108: Could example 5, in the view of stakeholders, be used for all IORPs in the EU?	
4.209.	Hoechst-Gruppe VVaG	Q108	<p>Not for Germany, see Q107. We cannot judge the applicability in other EU Member States.</p> <p>The answer to Q107 was: Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is not possible for us to provide a final assessment of any of the presented examples.</p> <p>This framework would require a market consistent valuation of technical provisions and for SCR which is not appropriate for the long-term character of the promises, it is a very complex system.</p>	Noted.

			<p>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 early cancellations. So the current market situation cannot be the determining factor. The pillar 2 HBS results shall be disclosed publicly according to this example. This will lead to mis-interpretations by members and beneficiaries since the results are neither easily to explain nor to understand, especially the effects of "market consistent" discount rates. The disclosure requirement is therefore not acceptable for IORPs and their sponsors. And even if a pillar 2 underfunding does not impose directly a higher capital need this could be succeeded by a modification of the pension arrangement.</p>	
4.210.	IFoA	Q108	No comment	
4.211.	IVS	Q108	<p>No. Including mixed benefits isn't appropriate, as they are not part of the pension promise and often can't be determined objectively. Using level A technical provision to be covered with financial assets doesn't correspond with the social character of IORPs. Furthermore, the usage of the HBS/HPF as part of pillar 2 requirements leads, especially for small IORPs, to significant additional costs without noticeable added value compared to other risk monitoring.</p> <p>See our General Comments for an explanation of "HBS/HPF".</p>	Noted.
4.212.	Jane Marshall Consulting	Q108	No.It could not and should not.	Noted.
4.213.	NAPF	Q108	Q108: Could example 5, in the view of stakeholders, be used for all IORPs in the EU?	

			<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>	
4.216.	Pensioenfederatie	Q108	<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 pillar 1 framework presented in example 5 is not usable for capital requirements because it excludes some, but not all options from the balance sheet and thus causes mispricing in the remaining option, such as ex ante benefit reductions. The HBS is not usable as a risk management tool as laid down in example 5, as it includes an SCR. We would like to reiterate that we think that the SCR is not compatible with the HBS.</p>	Noted.
4.217.	PensionsEurope	Q108	<p>Could example 5, in the view of stakeholders, be used for all IORPs in the EU?</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>No.</p> <p>The pillar 1 framework in example 5 is not usable, since it contains some inconsistent elements. Some options are left out of the balance sheet (sponsor support, mixed benefits, ex post benefit reductions), thus causing inconsistencies in valuation of the options that are on the HBS. This framework would require a market consistent valuation of technical provisions and for SCR which is not appropriate for the long-term character of the promises. It is a very complex system.</p> <p>If the proposed pillar 2 framework would include an SCR, this is not consistent with the methodology and it is illogical to include an SCR in pillar 2. The positive side of the pillar 2 framework is that it would include all options (like conditional and mixed benefits, sponsor support and benefit cuts) in the HBS.</p> <p>The HBS is not usable for capital requirements because it excludes</p>	
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			<p>options from the balance sheet. The HBS is not usable as a risk management tool as laid down in example 5, as it includes an SCR. We would like to note that we think that the SCR is not compatible with the HBS.</p> <p>In addition, as many of the building blocks of these scenarios were calculated during the last QIS exercise, PensionsEurope wonders if it is not feasible to provide a broad impact of each of these scenarios based on those results.</p>	
4.220.	RPTCL	Q108	<p>We do not believe that example 5 would be appropriate to use for all EU member states. We believe that the example 5 approach would have a significant impact on our IORPs, their sponsors and their members. In the case of our IORPs, we believe that the approach would be damaging to the IORPs, their 350,000 members and the UK railways industry.</p> <p>We have not quantified the impact of example 5 at this stage but consider that it would be similar to the example 1 approach. For our reponse to EIOPA-CP-11/006, we had estimated that the use of risk-free interest rates for the schemes to which RPTCL is a trustee would increase the technical provisions by 13 billion euros. Of this increase, the shared cost nature of the schemes to which RPTCL is a trustee could mean that 40% of this increase in technical provisions (i.e. more than 5 billion euros) could fall on the active members of these schemes, of which there are around 85,000. This equates to some 60,000 euros for each active member on a pro rata basis – albeit that in a number of cases sponsors themselves meet members’ shares of shortfalls.</p>	Noted.

			<p>We have not updated the above impact or revisited the above calculations but envisage that the impact of an example 5 approach would not be dissimilar to the above.</p>	
4.221.	Society of Pension Professionals	Q108	<p>Could example 5, in the view of stakeholders, be used for all IORPs in the EU?</p> <p>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped develop the debate on the security, sustainability and adequacy of second pillar pension provision in Europe, the SPP does not believe that EIOPA should continue with this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>No. We do not consider that example 5 could realistically be adopted for IORPs in the UK without placing an unreasonable burden on UK business and we expect that the same could be said for many other EU Member States.</p>	Noted.

4.222.	Towers Watson	Q108	<p>Could example 5, in the view of stakeholders, be used for all IORPs in the EU?</p> <p>No. The HBS is not suitable for setting and monitoring Pillar 1 capital requirements because it excludes options from the balance sheet – most notably sponsor support and pension protection systems. Any funding requirements derived on this basis would be substantially higher than the current requirements for the majority of EU member states. This would make the cost of funding pension schemes higher, which would discourage further provision and potentially lead some sponsors to become insolvent if they cannot meet these higher requirements. This would subsequently impact on any pension protection schemes and member benefits.</p> <p>Furthermore, all pension schemes would be highly incentivised to invest almost entirely in low-risk, liquid, closely matched assets. This is likely to impact the market-price for such assets (further increasing the cost of funding) and discourage schemes from investing in longer-term growth assets such as infrastructure.</p> <p>Given the above it is difficult to believe employers would be more willing to set up cross-border plans in an environment where funding costs are so high.</p> <p>The HBS may be usable as a risk management tool for reporting under Pillar 2, but further work would be needed before example 5 could be used and the disclosure requirements would need to be revisited.</p>	Noted.
4.223.	United Utilities Group	Q108	Q108: Could example 5, in the view of stakeholders, be used for all	

			IORPs in the EU?	
4.224.	ZVK-Bau	Q108	Definitely not.	Noted.
4.225.	OPSG	Q109	This reflects the current IORP directive for Pillar I with the full Holistic Balance Sheet introduced only as a risk management tool in Pillar 2. The OPSG considers that the use of an HBS type framework could be useful in pillar 2, provided that costs for IORPs necessary to introduce the HBS are not excessive, compared to other simpler risk management tools that may be used at MS level which can account for country-by-country IORPs characteristics and which can be implemented with lower costs.	<p>Agreed, the common framework for risk assessment and transparency is based on example 6.</p> <p>EIOPA subscribes to the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach, in order to minimise the burden on small and medium-sized IORPs.</p>
4.226.	100 Group of Finance Directors	Q109	<p>Q109: Do stakeholders have any general comments on (the description of) example 6?</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>Partially agreed, the common framework for risk assessment and transparency is based on example 6.</p> <p>EIOPA subscribes to the view that the common framework should be applied in a proportionate manner and allow for</p>

			<p>The 100 Group believes that this is the best of the six examples under consideration here, since it limits the holistic balance sheet to use as a risk management tool. This would, however, still leave IORPs with the cost of having to produce the holistic balance sheet for little obvious benefit. We believe the revised IORP directive's 'Risk Evaluation for Pensions' will in practice achieve much of what the holistic balance sheet might be able to do, with an emphasis on more meaningful qualitative assessments of risk rather than spurious numbers for the support provided by the sponsor and, where relevant, any pension protection scheme.</p> <p>The choice of examples is skewed because they all involve the use of the holistic balance sheet in some form. We believe that the consultation should also have considered an example 7, which is retaining the status quo without the introduction of the holistic balance sheet. EIOPA has not yet demonstrated why the holistic balance sheet is needed.</p>	<p>simplifications, such as the balancing item approach, in order to minimise the burden on small and medium-sized IORPs.</p>
4.227.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q109	<p>Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is not possible for us to provide a final assessment of any of the presented examples.</p> <p>From our perspective Art. 29 of the Council's General Approach regarding IORP II from 10 December 2014 is sufficient. As a risk management tool the full HBS approach is oversized. But if the HBS became part of any regulation, example 6 could be regarded as one</p>	<p>Partially agreed, EIOPA advises not changing capital and funding requirements at this point in time, but a common framework for risk assessment and transparency based on example 6, the results of which should be publicly disclosed.</p> <p>EIOPA subscribes to</p>

			<p>of the less damaging ones. Within this context we reject public disclosure for IORPs. Regarding the complexity of the calculations and problems in communicating the results to members, beneficiaries and especially stakeholders of the sponsoring companies the requirement for public disclosure is not acceptable.</p> <p>No additional funding requirements occur by staying with the current (Solvency I) rules in pillar 1. However, the application of the HBS and SCR calculations in pillar 2 produce a lot of cost. It is appreciated that all security mechanisms can be applied – but then the result of a complete funding at all times could be stated without any calculation in case of a strong sponsor/a pension protection scheme in place and ex-ante benefit reduction mechanisms.</p>	<p>the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach, in order to minimise the burden on small and medium-sized IORPs.</p>
4.228.	ACA	Q109	<p>We do not see any evidence that this would stimulate cross-border activity. Indeed, when combined with the impact of Article 13(5) of the current IORP II agreed Council draft providing transferring regulators with a blanket veto on transfer of assets cross-border this will kill DB cross-border activity.</p> <p>Also if Example 6 is intended to be as close as possible to the current regimes, why is a « status quo » not presented as an Example for comment ?</p>	Noted.
4.229.	Actuarial Association of Europe	Q109	<p>We believe that any approach adopted should aim not to alter to a material extent the strength of any 'pension promise' that has already been agreed between employer and employee. As noted above (and as explained in the Consultation Paper) the strength of the 'pension promise' in relation to benefits that have already been accrued depends partly on how these benefits will be financed</p>	Partially agreed, EIOPA advises a common framework for risk assessment and transparency, while leaving existing capital

		<p>(including how much has already been accumulated in an IORPS to support the benefits) and partly on the impact of any additional security mechanisms supporting the promised benefits (such as sponsor support, pension protection schemes and conditionality in benefits).</p> <p>It seems to us that adhering to this principle means that:</p> <p>(a) The selected approach will in practice need largely to retain existing member-state specific valuation standards, minimum funding requirements and accompanying recovery periods etc. for benefits already accrued to date or to be accrued in future under existing promises (i.e. for current employees). Otherwise, either the employer or the employee may object that the promise being provided (and hence its value) is being retrospectively altered to his or her disadvantage (with the impact not necessarily being uniform even within a given member state).</p> <p>(b) However, any reasonable approach could be adopted for benefits yet to be accrued or already promised. If politicians so wished (and EU treaties permitted) then this could include an approach that aimed to harmonise the strength of the 'pension promise' across member state for such benefits. Harmonisation might be considered desirable to reduce the likelihood that benefit provision will migrate to member states or structures that offer the least security of benefits. It might also be considered desirable to maximise the transparency and comparability of the 'pension promise' across the EU or from other cross-border perspectives. Conversely, it might be considered undesirable because it might impact too much on social and labour law within individual member states and if taken to its logical extreme would also favour</p>	<p>and funding requirements in place.</p>
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			<p>harmonising where practical the underlying security mechanisms etc.. Any such harmonisation should ideally refer to a full HBS that takes into account all contributions to the strength of the pension promise.</p>	
4.230.	AEIP	Q109	<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>The HBS could possibly be used as an instrument for risk management to obtain more insights in relative risks of the balance sheet, but less complex methods such as ALM, continuity analysis and stress tests would better achieve this goal. However, we consider including an SCR in the specifications to be inconsistent and not useful within the HBS methodology.</p>	<p>Partially agreed, EIOPA advises a common framework on risk assessment and transparency based on example 6.</p> <p>The common framework does not include an SCR, but instead a standardised risk assessment.</p>
4.231.	AGV Chemie	Q109	<p>As a risk management tool the full HBS approach is oversized. But if the HBS became part of any regulation, example 6 could be regarded as one of the less damaging ones. Within this context we reject public disclosure for IORPs. Regarding the complexity of the calculations and problems in communicating the results to members, beneficiaries and especially stakeholders of the</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but a common framework for</p>

			<p>sponsoring companies the requirement for public disclosure is not acceptable.</p> <p>No additional funding requirements occur by staying with the current (Solvency I) rules in pillar 1. However the application of the HBS and SCR calculations in pillar 2 produces a lot of cost. It is appreciated that all security mechanisms can be applied – but then the result of a complete funding at all times could be stated without any calculation in case of a strong sponsor/a pension protection scheme in place and ex-ante benefit reduction mechanisms.</p>	<p>risk assessment and transparency based on example 6, the results of which should be publicly disclosed.</p> <p>EIOPA subscribes to the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach, in order to minimise the burden on small and medium-sized IORPs.</p>
4.232.	Aon Hewitt	Q109	<p>We would anticipate that this financing method would be widely supported by IORPs and sponsors across the EEA. It would also allow member states to impose additional requirements if appropriate for their state – we think it is reasonable that this can be decided at a member level, especially for countries with very large IORP markets with significant local legislation.</p> <p>However prescribing the actual risk management tool appears overly prescriptive.</p>	Noted.
4.233.	Association of Pension Lawyers	Q109	<p>1. Subject to our comments below, we would be in favour of example 6 provided this approach did not disturb the UK’s existing scheme specific funding regime and, as long as it was modified so that it was no more than an internal risk management tool, an appropriate way to incorporate the HBS within the existing DB</p>	Partially agreed, EIOPA advises not changing capital or funding requirements

		<p>funding regime. We therefore object to the references to the national supervisory authorities having the power to require IORPs that have insufficient assets to cover the SCR to modify the pension arrangement. In addition, under UK law there is no ability to reduce accrued benefits and the existing scheme specific funding regime already contains adequate provision for the termination of future accrual of benefits by regulatory authority where the IORPs' funding position makes this necessary.</p> <p>2. However, as explained below, we are not convinced that even this step is needed as it will add another layer of regulation and compliance to UK DB pension plans, duplicating an approach which is increasingly being adopted in the context of the UK's scheme specific funding regime without any real benefit in terms of cross-border activity or preventing regulatory arbitrage.</p> <p>3. We are not convinced that the perceived benefits of this example in terms providing stimulus for cross-border activity or minimising the scope for regulatory arbitrage are real and certainly do not justify the additional burden this would place on employers. We do not consider that increased cross-border activity of DB pension plans is a meaningful prospect, with a very high proportion of DB plans closed to new entrants and further accruals. We are also not aware of the exploitation of regulatory arbitrage for DB plans across Member States.</p> <p>4. Also, EIOPA's analysis of all the examples of supervisory frameworks ignores the practicality of the framework for IORPs and supervisors, and the costs of implementation (para 5.148), but these are important factors. Costs could be significant – the Commission's own papers estimated the costs of the current IORP Directive alone at a one off extra Euros22 per member (over £300m for UK pension schemes) and this does not include the additional costs of complying with HBS/SCR requirements.</p>	<p>at this point in time, but a common framework for risk assessment and transparency based on example 6.</p> <p>However, the results of the common framework should be publicly disclosed and national supervisors should be empowered to take supervisory action.</p> <p>EIOPA subscribes to the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach, in order to minimise the burden on small and medium-sized IORPs.</p> <p>EIOPA's impact assessment shows that the benefits in terms of plan member protection and</p>
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				functioning of the internal market outweigh the costs.
4.234.	BAPI	Q109	<p>Q109: Do stakeholders have any general comments on (the description of) example 6?</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 comment.</p>	
4.235.	BASF SE	Q109	<p>This approach mostly reflects the current proposal for the IORP II directive. No additional funding requirements occur by staying with the old (Solvency I) rules in pillar 1. However the application of the HBS and SCR calculations in pillar 2 produce a lot of cost. It is appreciated that all security mechanisms can be applied – but then the result of a complete funding at all times could be stated without any calculation in case of a strong sponsor/a pension protection</p>	<p>Noted.</p> <p>EIOPA subscribes to the view that the framework for risk assessment should be applied in a</p>

			scheme in place and ex-ante benefit reduction mechanisms.	proportionate manner and allow for simplifications, such as the balancing item approach, in order to minimise the costs.
4.236.	BDA	Q109	<p>As a risk management tool the full HBS approach is oversized. But if the HBS became part of any regulation, example 6 could be regarded as one of the less damaging ones. Within this context we reject public disclosure for IORPs. Regarding the complexity of the calculations and problems in communicating the results to members, beneficiaries and especially stakeholders of the sponsoring companies the requirement for public disclosure is not acceptable.</p> <p>No additional funding requirements occur by staying with the current (Solvency I) rules in pillar 1. However the application of the HBS and SCR calculations in pillar 2 produces a lot of cost. It is appreciated that all security mechanisms can be applied – but then the result of a complete funding at all times could be stated without any calculation in case of a strong sponsor/a pension protection scheme in place and ex-ante benefit reduction mechanisms.</p>	<p>Partially agreed, EIOPA recommends not changing pillar 1 requirements at this stage, but EU common framework and transparency based on example 6, the results of which should be publicly disclosed.</p> <p>EIOPA subscribes to the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach, in order to minimise the burden on small and medium-sized IORPs.</p>
4.237.	British Telecommunications plc	Q109	Q109: Do stakeholders have any general comments on (the description of) example 6?	Partially agreed, EIOPA recommendation for EU framework on risk

			<p>Example 6 is the best of the examples under consideration here, since it limits the holistic balance sheet to use as a risk management tool. This would, however, still leave IORPs with the cost of having to produce the holistic balance sheet for little obvious benefit. The need for such a solution as a risk management tool has been superseded by the revised IORP directive's 'Risk Evaluation for Pensions' which will achieve much of what the holistic balance sheet might be able to do, with an emphasis on more meaningful qualitative assessments of risk rather than spurious numbers for the support provided by the sponsor and, where relevant, any pension protection scheme.</p> <p>The choice of examples is skewed because they all involve the use of the holistic balance sheet in some form. We believe that the consultation should also have considered an example 7, which is retaining the status quo without the introduction of the holistic balance sheet. Neither EIOPA nor the EC has yet demonstrated why the holistic balance sheet is needed.</p>	<p>assessment and transparency is based on example 6.</p> <p>EIOPA subscribes to the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach, in order to minimise the burden on small and medium-sized IORPs.</p>
4.238.	Candriam	Q109	<p>Do stakeholders have any general comments on (the description of) example 6?</p> <p>A two steps approach looks sensible: first determining the funding position according to national methods, second challenging the valuation with a few stress tests for risk management purpose. However, we do not believe market valuation and the HBS are always adapted for this purpose.</p>	<p>Partially agreed, the common framework for risk assessment and transparency is based on example 6, while not changing pillar 1 requirements.</p>

4.239.	Compass Group PLC	Q109	<p>Q109: Do stakeholders have any general comments on (the description of) example 6?</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>Compass Group believes that this is the best of the six examples under consideration here, since it limits the holistic balance sheet to use as a risk management tool. This would, however, still leave IORPs with the cost of having to produce the holistic balance sheet for little obvious benefit. We believe the revised IORP directive's 'Risk Evaluation for Pensions' will in practice achieve much of what the holistic balance sheet might be able to do, with an emphasis on more meaningful qualitative assessments of risk rather than spurious numbers for the support provided by the sponsor and, where relevant, any pension protection scheme.</p> <p>The choice of examples is skewed because they all involve the use of the holistic balance sheet in some form. We believe that the consultation should also have considered an example 7, which is retaining the status quo without the introduction of the holistic balance sheet. EIOPA has not yet demonstrated why the holistic balance sheet is needed.</p>	<p>Partially agreed, the common framework for risk assessment and transparency is based on example 6.</p> <p>EIOPA subscribes to the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach, in order to minimise the burden on small and medium-sized IORPs.</p>
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4.240.	D & L Scott	Q109	<p>I have commented at length on earlier questions about EIOPA's apparent closed mindset to use only a balance sheet approach. Much better risk management tools are to be found by using a cash flow approach, tools which enable trustees to make prudent decisions and to monitor actual outcomes against earlier assumptions. The same applies to Example 6.</p> <p>I detect narrow and flawed thinking by EIOPA (and others) of risk measurement following Markowitz's assertion (to be found at page 59 of his 1952 Journal of Finance article, Portfolio Selection) that «if the term 'risk' were replaced by 'variance of return', little change of apparent meaning would result». I have referred instead to Graham's essential concept of risk in terms of the relationship between the market prices and the intrinsic values of securities. Graham rejects the Markowitz impact on generally accepted practice as follows: «the standard practice to define 'risk' in terms of average price variations or 'volatility' [is] more harmful than useful for sound investment decisions – because it places too much emphasis on market fluctuations».</p> <p>This flawed thinking then extends to supervision of investment portfolio management, where a distinction may be drawn between asset allocation between or among different asset classes and security selection within each asset class. Primacy is given by supervisors (and also by many so-called professionals advising IORP trustees) to asset allocation, and the example I would cite here is from the United Kingdom Pensions Regulator's code of practice number 3 as follows:</p>	<p>Noted.</p> <p>The common framework for risk assessment and transparency based on example 6 is not intended to replace other risk management tools.</p>
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			<p>application to investment portfolio management seems to be based on essentially only one empirical study.</p> <p>Criticisms have generally gone unreported, although in one case – by David Swensen, the Yale CIO – it is contained in his year 2000 book, <i>Pioneering Portfolio Management</i>, as follows: «Investors often treat asset allocation’s central role in determining portfolio returns as a truism. It is not. The Brinson study describes investor [behaviour] not finance theory.» What Swensen meant was further explained by Blake, Lehman and Timmermann in <i>Journal of Business</i> volume 72, number 4, as follows: «... This finding reflects more on managerial behaviour (i.e. the absence of extensive attempts at active management) than on the economic role of asset allocation.» Even more damning was their conclusion that «the empirical regularities we observe in these data are a consequence of the incentives arising from the [investment industry] organisation and regulatory environment facing the UK pension fund industry».</p> <p>That such flawed thinking also appears to be shared by the large investment consulting firms who advise many IORPs was not all that surprising when the 2001 Myners Review in the United Kingdom found that the «top four providers hold at least 70 per cent of the market in investment consulting. The Herfindahl-Hirschman Index for the [investment consulting] industry is around 1800. As a point of comparison, US anti-trust authorities regard a Herfindahl-Hirschman Index of anything over 1000 as a matter of possible concern.»</p> <p>In summary, the regulatory and advisory approaches presume that</p>	
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			<p>asset markets are efficient so that, according to Fama, «prices of securities must be good indicators of value» ; they further presume that pensions cash flows are bond-like and that given such liabilities the assets used to fund them should be based on securities characterised by minimal default risk, i.e. government securities.</p> <p>I have earlier in commenting on Q48 pointed out the flawed rationale in terms of modified duration which lies behind the matching concept. I contrasted this with a concept of the discounted mean term of the liabilities which is all about cash flows, whereas modified duration is all about market values for interest rates and inflation.</p>	
4.241.	EAPSPI	Q109	See Q73 – Q75.	
4.242.	Eversheds LLP	Q109		
4.243.	Evonik Industries AG	Q109	<p>As a risk management tool the full HBS approach is oversized. But if the HBS became part of any regulation, example 6 could be regarded as one of the less damaging ones. Within this context we reject public disclosure for IORPs. Regarding the complexity of the calculations and problems in communicating the results to members, beneficiaries and especially stakeholders of the sponsoring companies the requirement for public disclosure is not acceptable.</p> <p>No additional funding requirements occur by staying with the current (Solvency I) rules in pillar 1. However the application of the HBS and SCR calculations in pillar 2 produces a lot of cost. It is</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but a common framework for risk assessment and transparency based on example 6, the results of which should be publicly disclosed.</p> <p>EIOPA subscribes to the view that the</p>

			<p>appreciated that all security mechanisms can be applied – but then the result of a complete funding at all times could be stated without any calculation in case of a strong sponsor/a pension protection scheme in place and ex-ante benefit reduction mechanisms.</p>	<p>common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach, in order to minimise the burden on small and medium-sized IORPs.</p>
4.244.	GDV	Q109	<p>Do stakeholders have any general comments on (the description of) example 6?</p> <p>The GDV always assumed that the HBS is designed as a basis for calculation of the capital requirements for IORPs. There seem to be no obvious reasons why the HBS is also considered as a pure risk management tool: In cases where some risks are absorbed by security mechanisms, it is unclear how the IORP could steer its risk management according to the HBS. Moreover, the extensive new requirements resulting from this approach would lead to disproportionate burden for small and medium-sized IORPs and IORPs with many sponsors.</p>	<p>Noted.</p> <p>EIOPA advises not changing capital or funding requirements at this point in time, but a common framework for risk assessment and transparency based on example 6.</p> <p>The common framework provides valuable insights on IORP dependence on sponsor support and benefit adjustment mechanisms.</p> <p>EIOPA envisages a proportionate application of the common framework</p>

				<p>allowing for simplifications to minimise the burden on small- and medium-sized IORPs.</p> <p>Moreover, member states may choose not to apply the common framework to small IORPs and lower the frequency for calculations and reporting from 1 to 3 years.</p>
4.246.	Heathrow Airport Limited	Q109	<p>Q109: Do stakeholders have any general comments on (the description of) example 6?</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>Heathrow Airport believes that this is the best of the six examples under consideration here, since it limits the holistic balance sheet to use as a risk management tool. This would, however, still leave IORPs with the cost of having to produce the holistic balance sheet for little obvious benefit. We believe the revised IORP directive's 'Risk Evaluation for Pensions' will in practice achieve much of what</p>	<p>Partially agreed, the common framework for risk assessment and transparency is based on example 6.</p> <p>EIOPA subscribes to the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach, in order to minimise the burden on small and medium-sized IORPs.</p>

			<p>the holistic balance sheet might be able to do, with an emphasis on more meaningful qualitative assessments of risk rather than spurious numbers for the support provided by the sponsor and, where relevant, any pension protection scheme.</p> <p>The choice of examples is skewed because they all involve the use of the holistic balance sheet in some form. We believe that the consultation should also have considered an example 7, which is retaining the status quo without the introduction of the holistic balance sheet. EIOPA has not yet demonstrated why the holistic balance sheet is needed.</p>	
4.247.	Hoechst-Gruppe VVaG	Q109	<p>Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is not possible for us to provide a final assessment of any of the presented examples.</p> <p>From our perspective Art. 29 of the Council's General Approach regarding IORP II from 10 December 2014 is sufficient. As a risk management tool the full HBS approach is oversized. But if the HBS became part of any regulation, example 6 could be regarded as one of the less damaging ones. Within this context we reject public disclosure for IORPs. Regarding the complexity of the calculations and problems in communicating the results to members, beneficiaries and especially stakeholders of the sponsoring companies the requirement for public disclosure is not acceptable.</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but a common framework for risk assessment and transparency based on example 6, the results of which should be publicly disclosed.</p> <p>EIOPA subscribes to the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as</p>

			No additional funding requirements occur by staying with the current (Solvency I) rules in pillar 1. However, the application of the HBS and SCR calculations in pillar 2 produce a lot of cost. It is appreciated that all security mechanisms can be applied – but then the result of a complete funding at all times could be stated without any calculation in case of a strong sponsor/a pension protection scheme in place and ex-ante benefit reduction mechanisms.	the balancing item approach, in order to minimise the burden on small and medium-sized IORPs.
4.248.	IFoA	Q109	No comment	
4.249.	IVS	Q109	No	
4.250.	NAPF	Q109	<p>Q109: Do stakeholders have any general comments on (the description of) example 6?</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>	
4.252.	Otto Group	Q109	As a risk management tool the full HBS approach is oversized. But if the HBS became part of any regulation, example 6 could be regarded as one of the less damaging ones. Within this context we reject public disclosure for IORPs. Regarding the complexity of the calculations and problems in communicating the results to members, beneficiaries and especially stakeholders of the sponsoring companies the requirement for public disclosure is not acceptable.	Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but a common framework for risk assessment and transparency based on example 6, the results

			<p>No additional funding requirements occur by staying with the current (Solvency I) rules in pillar 1. However the application of the HBS and SCR calculations in pillar 2 produces a lot of cost. It is appreciated that all security mechanisms can be applied – but then the result of a complete funding at all times could be stated without any calculation in case of a strong sponsor/a pension protection scheme in place and ex-ante benefit reduction mechanisms.</p>	<p>of which should be publicly disclosed.</p> <p>EIOPA subscribes to the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach, in order to minimise the burden on small and medium-sized IORPs.</p>
4.253.	Pensioenfederatie	Q109	<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 HBS could possibly be used as an instrument for risk management to obtain more insights in relative risks of the balance sheet, but other and less costly methods such as ALM, continuity analyses and stress tests would better achieve this goal. However, we consider including an SCR in the specifications to be inconsistent and not useful within the HBS methodology.</p>	<p>Partially agreed, EIOPA advises a common framework for risk assessment and transparency based on example 6.</p> <p>The common framework does not include an SCR, but instead a standardised risk assessment.</p>

4.254.	PensionsEurope	Q109	<p>Do stakeholders have any general comments on (the description of) example 6?</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>Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is very challenging for us to provide a final assessment of any of the presented examples.</p> <p>The HBS could possibly be used as an instrument for risk management to obtain more insights in relative risks of the balance sheet, but less complex methods like ALM, continuity analysis and stress tests would better achieve this goal. However, we consider including an SCR in the specifications to be inconsistent and not useful within the HBS methodology.</p> <p>From our perspective the Risk Evaluation for Pensions (Article 29) of the fourth IORP II Compromise by the Italian Presidency is</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but a common framework for risk assessment and transparency based on example 6, the results of which should be publicly disclosed.</p> <p>The common framework does not include an SCR, but instead a standardised risk assessment.</p> <p>EIOPA subscribes to the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach, in order to minimise the burden on small and medium-sized IORPs.</p>
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			<p>sufficient. As a risk management tool the full HBS approach is oversized. Public disclosure for IORPs is not acceptable: In our view, even apart from the incompleteness of the market, the HBS is extremely complex to communicate and interpret, even for pension experts.</p> <p>No additional funding requirements would occur by staying with the current IORP Directive rules in pillar 1. However the application of the HBS and SCR calculations in pillar 2 are very costly. It is appreciated that all security mechanisms can be applied – but then the result of a complete funding at all times could be stated without any calculation in case of a strong sponsor/pension protection scheme in place and ex-ante benefit reduction mechanisms.</p>	
4.255.	Punter Southall	Q109	<p>Whilst we do not support the introduction of a holistic balance sheet funding regime to IORPS, we consider Example 6 to be the most appropriate of the options outlined within the consultation paper - although we note that many other options are also possible.</p>	<p>Partially agreed, the common framework for risk assessment and transparency is based on example 6.</p>
4.258.	RPTCL	Q109	<p>We do not have any general comments on the description of example 6, as we are not in a position to analyse it from a pan-European perspective. However, we have considered the suitability of the approach set out in example 6 in Q110 below.</p>	<p>Noted.</p>
4.259.	Siemens Pensionsfonds	Q109	<p>As a risk management tool the full HBS approach is oversized. But if the HBS became part of any regulation, example 6 could be regarded as one of the less damaging ones. Within this context we reject public disclosure for IORPs. Regarding the complexity of the calculations and problems in communicating the results to members, beneficiaries and especially stakeholders of the sponsoring companies the requirement for public disclosure is not</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but a common framework for risk assessment and</p>

			<p>acceptable.</p> <p>No additional funding requirements occur by staying with the current (Solvency I) rules in pillar 1. However the application of the HBS and SCR calculations in pillar 2 produces a lot of cost. It is appreciated that all security mechanisms can be applied – but then the result of a complete funding at all times could be stated without any calculation in case of a strong sponsor/a pension protection scheme in place and ex-ante benefit reduction mechanisms.</p>	<p>transparency based on example 6, the results of which should be publicly disclosed.</p> <p>EIOPA subscribes to the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach, in order to minimise the burden on small and medium-sized IORPs.</p>
4.260.	Society of Pension Professionals	Q109	<p>Do stakeholders have any general comments on (the description of) example 6?</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</p>	<p>Partially agreed,</p> <p>EIOPA advises not changing capital or funding requirements at this point in time, but a common framework for risk assessment and transparency based on example 6.</p> <p>However, the results of the common framework should be publicly disclosed and national supervisors</p>

		<p>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>1. Subject to our comments below, we would be in favour of example 6 provided this approach did not disturb the UK's existing scheme specific funding regime and, as long as it was modified so that it was no more than an internal risk management tool, an appropriate way to incorporate the HBS within the existing DB funding regime. We therefore object to the references to the national supervisory authorities having the power to require IORPs that have insufficient assets to cover the SCR to modify the pension arrangement. In addition, under UK law there is no ability to reduce accrued benefits and the existing scheme specific funding regime already contains adequate provision for the termination of future accrual of benefits by regulatory authority where the IORPs' funding position makes this necessary.</p> <p>2. However, as explained below, we are not convinced that even this step is needed as it will add another layer of regulation and compliance to UK DB pension plans, duplicating an approach which is increasingly being adopted in the context of the UK's scheme specific funding regime without any real benefit in terms of cross-border activity or preventing regulatory arbitrage.</p> <p>3. We are not convinced that the perceived benefits of this example in terms providing stimulus for cross-border activity or minimising the scope for regulatory arbitrage are real and certainly do not justify the additional burden this would place on employers. We do not consider that increased cross-border activity of DB</p>	<p>should be empowered to take supervisory action.</p> <p>EIOPA subscribes to the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach, in order to minimise the burden on small and medium-sized IORPs.</p> <p>EIOPA's impact assessment shows that the benefits in terms of plan member protection and functioning of the internal market outweigh the costs.</p>
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			<p>pension plans is a meaningful prospect, with a very high proportion of DB plans closed to new entrants and further accruals.</p> <p>4. Also, EIOPA's analysis of all the examples of supervisory frameworks ignores the practicality of the framework for IORPs and supervisors, and the costs of implementation (para 5.148), but these are important factors. Costs could be significant – the Commission's own papers estimated the costs of the current IORP Directive alone at a one off extra Euros22 per member (over £300m for UK pension schemes) and this does not include the additional costs of complying with HBS/SCR requirements.</p>	
4.261.	Towers Watson	Q109	<p>Do stakeholders have any general comments on (the description of) example 6?</p> <p>This example is the most acceptable of all those presented, but even this has areas for improvement.</p> <p>The requirements under example 6 are identical to those under the current IORP directive, except that a HBS must be disclosed to the National Competent Authority. The NCA is then able to take action if this assessment demonstrates that the IORP's pension promise is "unsustainable", but it is not clear how this would be defined by different Member States or what form this action may take.</p> <p>The HBS could possibly be used as an instrument for risk management to obtain more insights into the relative risks of the balance sheet, but less complex methods like ALM, continuity analysis and stress tests would better achieve this goal. As a risk management tool, the cost and complexity of producing a full HBS are likely to outweigh the benefit - the application of the HBS and</p>	<p>Partially agreed the common framework for risk assessment and transparency is based on example 6, including public disclosure of results.</p> <p>The common framework does not include an SCR, but instead a standardised risk assessment.</p> <p>EIOPA subscribes to the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach, in order to</p>

			<p>SCR calculations in pillar 2 are very costly.</p> <p>Furthermore, public disclosure for IORPs is not necessary providing there is appropriate (and proportionate) reporting to NCA's and scheme members.</p>	<p>minimise the burden on small and medium-sized IORPs.</p> <p>EIOPA's impact assessment shows that the benefits in terms of plan member protection and functioning of the internal market outweigh the costs.</p>
4.262.	United Utilities Group	Q109	Q109: Do stakeholders have any general comments on (the description of) example 6?	
4.263.	USS Limited	Q109	<p>Example 6 is closest to the status quo within the UK, although there is scope for these funding requirements to be supplemented by national supervisory authorities.</p> <p>Using the HBS as a risk management tool will represent a cost to schemes that will potentially generate alarming reactions if these are disclosed to members. It is also unclear if the UK Pensions Regulator would obtain new powers over schemes that disclose a poor HBS result and unclear whether the HBS results could form part of company accounting disclosures in the future. Even if they do not, there is a risk that the HBS results obtain a certain currency with credit agencies and other parties (e.g. auditors, investors) considering investment in those companies. An unintended consequence might be the disruption of normal business transactions if the sponsor is unfairly deemed to be debt burdened.</p>	Noted.

4.264.	ZVK-Bau	Q109	<p>Apart from the overall unfitting concept of the HBS for our scheme we regard to refrain from using a Solvency-II-like regulatory framework with an HBS add on and use the HBS as risk management tool only looks less damaging like the other examples at first look. But we doubt that this is in the best interest of members and beneficiaries because there is no additional value in comparison to the situation without an HBS.</p>	Noted.
4.265.	OPSG	Q110	<p>This example is closest to the existing position, and may therefore be easier to implement than a more complex approach. The existing requirements of the IORP Directive are maintained in relation to technical provisions and capital requirements (for Article 17 IORPs) but are overlaid with a more structured supervisory regime in relation to Pillar 2 /3 to assess the sustainability of the pension promise. The OPSG would require further detail of the proposed approach and consideration of worked examples e.g. from QIS 2 before forming a view on its applicability across the EU.</p>	Noted.
4.266.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q110	<p>For Germany, example 6 would belong to the less damaging examples, but would only be applicable in connection with generous simplifications (Q111) and transitional measures (Q97 and Q98). Especially for smaller IORPs even this approach would bring additional costs that are unjustified given the limited benefits. We cannot judge the applicability in other EU Member States.</p> <p>The answers to Q111, Q97 and Q98 were:</p> <p>Q111: We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept we welcome the idea to simplify the HBS in cases where additional security mechanisms are in place (see Q109).</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but a common framework for risk assessment and transparency based on example 6.</p> <p>As a consequence, EIOPA believes that transitional measures are not needed.</p>

			<p>The best simplification would be to omit the HBS concept completely, follow the subsidiarity principle and continue using the rules that have been established in the EU Member States. At least, we ask for an exemption from calculating the HBS if there is a strong sponsor guaranteeing a high level of security and/or a strong PPS in place and/or ex-ante benefit reduction mechanisms in place.</p> <p>Q97: A possible future European prudential framework for IORPs based on the Solvency II like approach using the HBS methodology is inappropriate and, in addition, will increase the burden for IORPs and sponsors, but not really add to the safety of pension promises. It will negatively influence the level of benefits to the members and will not support a broader coverage in the workforce with occupational pensions by employers. (See also our General Remarks).</p> <p>If, against our recommendation, an HBS-approach was introduced, at least future entitlements would have to be based on the new rules incorporating the higher cost arising from additional prudential requirements. This is likely to result in lower benefits.</p> <p>It has to be avoided that a new regime influences labour and social law: prudential regulation should regard and support national social and labour law, it should not stipulate changes in social and labour law.</p>	<p>EIOPA subscribes to the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach, in order to minimise the burden on small and medium-sized IORPs.</p>
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			<p>Q98: If new quantitative elements as discussed in the paper should be introduced than these should only apply to new members. Existing successful IORPs should be able to continue their work as they used to.</p> <p>We would like to emphasise that transitional measure for existing schemes/IORPs are not an alternative to including security mechanisms in a HBS for future schemes/IORPs – security mechanisms need to be included, and adequate transitional measures have to be developed.</p> <p>The application of such new rules will lead to a completely new business model for these new entitlements with considerably reduced benefit levels. Additionally we believe that the introduction of such new rules will lead to closings of several IORPs and will reduce DB promises.</p>	
4.267.	Actuarial Association of Europe	Q110	<p>We would favour a 'transitional' arrangement in which benefits accrued to date or already promised were subject to existing valuation standards, minimum funding requirements and accompanying recovery periods etc. (either indefinitely or if this was not workable for effectively a very extended period) and if changes are made to such standards etc. then they only apply to benefits yet to be accrued i.e. new promises.</p>	<p>Disagreed, EIOPA advises a common framework for risk assessment and transparency based on example 6 and not changing capital or funding requirements at this point in time.</p> <p>As a consequence, EIOPA believes that transitional measures</p>

				are not needed.
4.268.	AEIP	Q110	<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 do not regard the Holistic Balance Sheet as a viable risk management tool.</p> <p>however, if the SCR component were to be left out, there is potential to use the example as a risk management tool on a EU-wide level. But since there are but less complex methods like ALM, continuity analysis and stress tests to implement the HBS would be against the interests of members and beneficiaries.</p>	<p>Partially agreed, the common framework for risk assessment and transparency is based on example 6.</p> <p>The common framework does not include an SCR, but instead a standardised risk assessment.</p>
4.269.	AGV Chemie	Q110	<p>For Germany, example 6 would belong to the less damaging examples, but would only be applicable in connection with generous simplifications and transitional measures. Especially for smaller IORPs even this approach would bring additional costs that are unjustified given the limited benefits. We cannot judge the applicability in other EU Member States.</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but a common framework for</p>

				<p>risk assessment and transparency based on example 6.</p> <p>As a consequence, EIOPA believes that transitional measures are not needed.</p> <p>EIOPA subscribes to the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach, in order to minimise the burden on small and medium-sized IORPs.</p>
4.270.	Aon Hewitt	Q110	Yes – providing there is flexibility over the choice of risk management tool, and that member states and IORPs have the ability to determine what is most appropriate on a case-by-case or country-by-country basis.	<p>Partially agreed, the common framework for risk assessment and transparency is based on example 6.</p> <p>Any supervisory actions based on the outcomes of the common framework should be taken by national</p>

				supervisors.
4.271.	Association of Pension Lawyers	Q110	If introduced as an internal risk management tool we do not consider that there are an fundamental obstacles to the use of example 6 in the UK or in other Member States although it would add another layer of compliance for UK DB schemes and potentially duplicate existing approaches to complying with the UK's scheme specific funding regime. This risks incurring additional costs for no discernible benefit.	<p>Partially agreed, the common framework for risk assessment and transparency is based on example 6.</p> <p>However, the main outcomes would have to be publicly disclosed and national supervisors should have sufficient powers to take supervisory actions based on the outcomes.</p>
4.272.	BAPI	Q110	<p>Q110: Could example 6, in the view of stakeholders, be used for all IORPs in the EU?</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</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but a common framework for risk assessment and transparency based on example 6.</p> <p>EIOPA subscribes to the view that the common framework should be applied in a proportionate manner</p>

			<p>constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p> <p>If IORPs are not imposed to use the HBS as risk management tool, BAPI believes example 6 is the most workable across the EU. Under this scenario a general principle based framework to define the funding requirements is set at EU level, being the disposals under the current IORP I Directive. Member States have the flexibility to adapt these funding requirements as well as the capital requirements which allow them to take into account the broader national context.</p> <p>The HBS concept might be used as an extensive risk management tool in order to address the sustainability of the pension promise. For proportionality reasons, BAPI states that besides the HBS other less complex and less costly tools should be enabled as well.</p> <p>As many of the building blocks of these scenarios were calculated during the QIS exercise, BAPI wonders if it is not feasible to provide a broad impact of each of these scenarios based on those results.</p>	<p>and allow for simplifications, such as the balancing item approach, in order to minimise the burden on small and medium-sized IORPs.</p>
4.273.	BASF SE	Q110	<p>We think the HBS approach is unsuitable for company pensions and should therefore not be used. Within this unfitting concept this framework would be the preferred one out of the 6 alternatives.</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but a common framework for risk assessment and transparency based on example 6.</p>

4.274.	BDA	Q110	For Germany, example 6 would belong to the less damaging examples, but would only be applicable in connection with generous simplifications and transitional measures. Especially for smaller IORPs even this approach would bring additional costs that are unjustified given the limited benefits. We cannot judge the applicability in other EU Member States.	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but a common framework for risk assessment and transparency based on example 6.</p> <p>As a consequence, EIOPA believes that transitional measures are not needed.</p> <p>EIOPA subscribes to the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach, in order to minimise the burden on small and medium-sized IORPs.</p>
4.275.	Better Finance	Q110	See response in Q100.	Noted.
4.276.	British Telecommunications plc	Q110	Q110: Could example 6, in the view of stakeholders, be used for all IORPs in the EU?	<p>Noted.</p> <p>The common</p>

			<p>No, we believe this approach would be detrimental to pensions schemes, members and employers.</p> <p>The application of an EU-wide prudential framework is not compatible with the variety of arrangements which exists at local country level. A one-size-fits-all supervisory response is unlikely to capture all of the key variables of the local environment in which IORPS operate.</p>	<p>framework for risk assessment and transparency is based on example 6.</p> <p>Any supervisory actions based on the outcomes of the common framework should be taken by national supervisors to avoid one-size-fits-all approach.</p>
4.277.	Candriam	Q110	<p>Could example 6, in the view of stakeholders, be used for all IORPs in the EU?</p> <p>We strongly reject the idea of a single valuation framework for all pension institutions in the EU and strongly support the idea of taking into account national specificities.</p>	Noted.
4.278.	Compass Group PLC	Q110	Q110: Could example 6, in the view of stakeholders, be used for all IORPs in the EU?	
4.279.	D & L Scott	Q110	No.	Noted.
4.280.	EAPSPI	Q110	Yes.	Agreed, the common framework for risk assessment and transparency is based

				on example 6.
4.281.	Eversheds LLP	Q110	<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>If EIOPA insists on pressing ahead with the holistic balance sheet and does not introduce a 'no change' option (as proposed in our answer to question 99), then example 6 would be the least damaging option for the European economy.</p>	<p>Partially agreed, the common framework for risk assessment and transparency is based on example 6.</p>
4.282.	Evonik Industries AG	Q110	<p>For Germany, example 6 would belong to the less damaging examples, but would only be applicable in connection with generous simplifications and transitional measures. Especially for smaller IORPs even this approach would bring additional costs that are unjustified given the limited benefits. We cannot judge the applicability in other EU Member States.</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but a common framework for risk assessment and transparency based on example 6.</p> <p>As a consequence, EIOPA believes that transitional measures are not needed.</p> <p>EIOPA subscribes to the view that the common framework</p>

				should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach, in order to minimise the burden on small and medium-sized IORPs.
4.283.	FSUG	Q110	See response in Q100.	Noted.
4.284.	GDV	Q110	<p>Could example 6, in the view of stakeholders, be used for all IORPs in the EU?</p> <p>For above mentioned reasons (see Q 109), example 6 does not seem to be suitable for IORPs.</p>	Noted.
4.286.	Heathrow Airport Limited	Q110	Q110: Could example 6, in the view of stakeholders, be used for all IORPs in the EU?	
4.287.	Hoechst-Gruppe VVaG	Q110	<p>For Germany, example 6 would belong to the less damaging examples, but would only be applicable in connection with generous simplifications (Q111) and transitional measures (Q97 and Q98). Especially for smaller IORPs even this approach would bring additional costs that are unjustified given the limited benefits. We cannot judge the applicability in other EU Member States.</p> <p>The answers to Q111, Q97 and Q98 were:</p>	Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but a common framework for risk assessment and transparency based on example 6.

		<p>Q111: We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept we welcome the idea to simplify the HBS in cases where additional security mechanisms are in place (see Q109).</p> <p>The best simplification would be to omit the HBS concept completely, follow the subsidiarity principle and continue using the rules that have been established in the EU Member States. At least, we ask for an exemption from calculating the HBS if there is a strong sponsor guaranteeing a high level of security and/or a strong PPS in place and/or ex-ante benefit reduction mechanisms in place.</p> <p>Q97: A possible future European prudential framework for IORPs based on the Solvency II like approach using the HBS methodology is inappropriate and, in addition, will increase the burden for IORPs and sponsors, but not really add to the safety of pension promises. It will negatively influence the level of benefits to the members and will not support a broader coverage in the workforce with occupational pensions by employers. (See also our General Remarks).</p> <p>If, against our recommendation, an HBS-approach was introduced, at least future entitlements would have to be based on the new rules incorporating the higher cost arising from additional prudential requirements. This is likely to result in lower benefits.</p> <p>It has to be avoided that a new regime influences labour and social</p>	<p>As a consequence, EIOPA believes that transitional measures are not needed.</p> <p>EIOPA subscribes to the view that the framework for risk assessment should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach, in order to minimise the burden on small and medium-sized IORPs.</p>
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			<p>law: prudential regulation should regard and support national social and labour law, it should not stipulate changes in social and labour law.</p> <p>Q98: If new quantitative elements as discussed in the paper should be introduced than these should only apply to new members. Existing successful IORPs should be able to continue their work as they used to.</p> <p>We would like to emphasise that transitional measure for existing schemes/IORPs are not an alternative to including security mechanisms in a HBS for future schemes/IORPs – security mechanisms need to be included, and adequate transitional measures have to be developed.</p> <p>The application of such new rules will lead to a completely new business model for these new entitlements with considerably reduced benefit levels. Additionally we believe that the introduction of such new rules will lead to closings of several IORPs and will reduce DB promises.</p>	
4.288.	IFoA	Q110	No comment	
4.289.	IVS	Q110	Subject to considering the many other questions still open (cost/benefit analysis, publication measures, etc.), we consider this to be the most reasonable alternative of all 6 of those presented (but not necessarily the best alternative). The only difference to the current regime appears to be the inclusion of the HBS/HPF concept as a risk management tool. If the HBS/HPF mechanisms are	Agreed, the common framework for risk assessment and transparency is based on example 6.

			introduced in a reasonable way (i.e. taking appropriate account of materiality, proportionality, etc.) and all IORPs in the EU can trust that this will be the final regulatory state for many years to come, then this would be a most reasonable and sensible way ahead. See our General Comments for an explanation of "HBS/HPF".	
4.290.	Jane Marshall Consulting	Q110	No.It could not and should not.	Noted.
4.291.	NAPF	Q110	<p>Q110: Could example 6, in the view of stakeholders, be used for all IORPs in the EU?</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 example looks broadly similar to the current UK regime, although it would add use of the Holistic Balance Sheet as a risk-management tool and para 5.310 would require a market-consistent approach.</p> <p>If EIOPA insists on pressing ahead with the Holistic Balance Sheet and does not introduce a 'no change' option (as proposed in our answer to question 99), then example 6 would be the least damaging option.</p> <p>EIOPA should note, however, that the proposed new IORP Directive, which is currently in co-decision, includes a new Risk Evaluation for Pensions report which appears to duplicate much of</p>	Partially agreed, the common framework for risk assessment and transparency is based on example 6.

			what would be achieved by using the HBS as a Pillar II tool – ie better management of risks. There is clearly no need for both.	
4.294.	Otto Group	Q110	For Germany, example 6 would belong to the less damaging examples, but would only be applicable in connection with generous simplifications and transitional measures. Especially for smaller IORPs even this approach would bring additional costs that are unjustified given the limited benefits. We cannot judge the applicability in other EU Member States.	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but a common framework for risk assessment and transparency based on example 6.</p> <p>As a consequence, EIOPA believes that transitional measures are not needed.</p> <p>EIOPA subscribes to the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach, in order to minimise the burden on small and medium-sized IORPs.</p>

4.295.	Pensioenfederatie	Q110	<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>If the SCR component were to be left out, there is potential to use the example as a risk management tool at a EU-wide level.</p>	<p>Partially agreed, the common framework for risk assessment and transparency is based on example 6.</p> <p>The common framework does not include an SCR, but instead a standardised risk assessment.</p>
4.296.	PensionsEurope	Q110	<p>Could example 6, in the view of stakeholders, be used for all IORPs in the EU?</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>If the SCR component were to be left out, there could be potential to use the example as a risk management tool on a EU-wide level. In addition, simplifications and transitional measures should apply. Once again, as stressed in the General Remarks, we emphasise</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but a common framework for risk assessment and transparency based on example 6.</p> <p>As a consequence, EIOPA believes that transitional measures are not needed.</p> <p>The common framework does not include an SCR, but instead a standardised</p>

			<p>that simplifications might lead to uncomparable outcomes, that is why they have to be carefully designed.</p> <p>Finally we note that, especially for smaller IORPs even this approach would bring additional costs that are unjustified given the limited benefits.</p>	<p>risk assessment.</p> <p>EIOPA subscribes to the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach, in order to minimise the burden on small and medium-sized IORPs.</p>
4.299.	RPTCL	Q110	<p>We note that, within the example 6 approach, the holistic balance sheet is intended to only be used as a risk management tool. However, we do not consider it necessary or appropriate to develop it for this purpose. Our particular concerns are:</p> <ul style="list-style-type: none"> <input type="checkbox"/> the implementation of such an approach would carry with it large costs which will ultimately tend to fall on IORPs and their sponsors. These costs will be disproportionately high compared to the value, if any, of using the holistic balance sheet as a risk management tool, given that adequate tools that are already available to IORPs for risk management purposes. <input type="checkbox"/> we do not consider it necessary or appropriate to include an SCR within a risk management assessment. <input type="checkbox"/> any disclosure of holistic balance sheet results to members would serve to confuse rather than educate members, as per our answer to Q74. 	<p>Noted.</p> <p>The common framework for risk assessment and transparency is based on example 6.</p> <p>EIOPA subscribes to the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach, in order to minimise the burden on small and medium-sized IORPs.</p>

			<p>We also have fears that, if implemented as a risk management tool, the direction of travel may be to implement the holistic balance sheet as a scheme funding approach. Our comments under Q100, for example, would then be relevant.</p>	<p>EIOPA's impact assessment shows that the benefits in terms of plan member protection and functioning of the internal market outweigh the costs.</p> <p>The common framework does not include an SCR, but instead a standardised risk assessment.</p> <p>Public disclosure is not the same as active provision of information to members and beneficiaries. Still, the results would be in the public domain and interested plan members would be able to access it, like any other interested parties.</p> <p>It advised that the results are accompanied by proper explanation.</p>
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4.300.	Siemens Pensionsfonds	Q110	<p>For Germany, example 6 would belong to the less damaging examples, but would only be applicable in connection with generous simplifications and transitional measures. Especially for smaller IORPs even this approach would bring additional costs that are unjustified given the limited benefits. We cannot judge the applicability in other EU Member States.</p>	<p>Partially agreed, EIOPA advises not changing capital or funding requirements at this point in time, but a common framework for risk assessment and transparency based on example 6.</p> <p>As a consequence, EIOPA believes that transitional measures are not needed.</p> <p>EIOPA subscribes to the view that the common framework should be applied in a proportionate manner and allow for simplifications, such as the balancing item approach, in order to minimise the burden on small and medium-sized IORPs.</p>
4.301.	Society of Pension Professionals	Q110	<p>Could example 6, in the view of stakeholders, be used for all IORPs in the EU?</p>	<p>Partially agreed, the common framework for risk assessment and</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>If introduced as an internal risk management tool we do not consider that there are any fundamental obstacles to the use of example 6 in the UK or in other Member States although it would add another layer of compliance for UK DB schemes and potentially duplicate existing approaches to complying with the UK's scheme specific funding regime. This risks incurring additional costs for no discernible benefit.</p>	<p>transparency is based on example 6.</p> <p>However, the main outcomes would have to be publicly disclosed and national supervisors should have sufficient powers to take supervisory actions based on the outcomes.</p>
4.302.	Towers Watson	Q110	<p>Could example 6, in the view of stakeholders, be used for all IORPs in the EU?</p> <p>If the SCR component were to be left out, there is potential to use</p>	<p>Partially agreed, the common framework for risk assessment and transparency is based</p>

			the framework set out in example 6 as a risk management tool on a EU-wide level, although simpler and more cost-effective methods are available and may be more appropriate. The level of risk reporting and disclosure should be determined at a national level taking into account the relevant market construction and local social and labour law.	<p>on example 6.</p> <p>The common framework does not include an SCR, but instead a standardised risk assessment.</p> <p>The main results of the common framework would have to be publicly disclosed, accompanied by a proper explanation.</p>
4.303.	United Utilities Group	Q110	Q110: Could example 6, in the view of stakeholders, be used for all IORPs in the EU?	
4.304.	ZVK-Bau	Q110	Without a cost benefit analyses which tests the additional value of an HBS calculation for all kinds of IORPs thoroughly we do not see how this example could be implemented without violating the very aim of supporting members, beneficiaries, sponsors and IORPs.	<p>Noted.</p> <p>The common framework for risk assessment and transparency is based on example 6.</p> <p>EIOPA's impact assessment shows that the benefits in terms of plan member protection and functioning of the internal market outweigh the costs.</p>

4.305.	OPSG	Q111	<p>The OPSG is not yet convinced by the arguments in favour of an implementation of the HBS, and will await the outcome of the consultation and the QIS before finalising its position.</p> <p>If it is decided to implement such an approach, there should be a broad scope for simplifications. In this context, it would for example be reasonable to include an exemption from calculating the HBS in cases where either a comprehensive or a strong sponsor is providing for a high and thus adequate level of security.</p> <p>The OPSG would also urge that appropriate simplifications be made in relation to the calculations underlying the elements of the HBS, and in particular the SCR if this were to be introduced, to reflect the characteristics of IORPs where these differ from the insurance products for which the Solvency II framework was developed.</p>	<p>The balancing item approach is being proposed as a simplification in the case of a strong sponsor.</p> <p>The opinion proposes a proportionate approach considering the nature, scale and complexity of the activities and the underlying risks. The opinion also provides for supplementary simplifications on top of those that were already included in the technical specifications.</p>
4.306.	100 Group of Finance Directors	Q111	<p>Q111: Do stakeholders agree that there is scope for simplifications with regard to drawing up the holistic balance sheet? Which simplifications would you consider most important and in which situations?</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</p>	<p>Partially agreed. The common framework will not be proposed for</p>

			<p>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 should also consider an example 7, which is retaining the status quo without the introduction of the holistic balance sheet. EIOPA has not yet demonstrated why the holistic balance sheet is needed.</p>	<p>funding purposes.</p> <p>Not agreed.</p>
4.307.	aba Arbeitsgemeinschaft für betriebliche Altersve	Q111	<p>We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept we welcome the idea to simplify the HBS in cases where additional security mechanisms are in place (see Q109).</p> <p>The best simplification would be to omit the HBS concept completely, follow the subsidiarity principle and continue using the rules that have been established in the EU Member States. At least, we ask for an exemption from calculating the HBS if there is a strong sponsor guaranteeing a high level of security and/or a strong PPS in place and/or ex-ante benefit reduction mechanisms in place.</p> <p>The answer to Q109 was:</p> <p>Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is not possible for us to provide a final assessment of any of the</p>	<p>Partially agreed.</p> <p>The common framework provides for a proportionate approach.</p> <p>The balancing item approach is being proposed as a simplification in the case of a strong sponsor, a pension protection scheme or unlimited benefit reductions.</p>

			<p>presented examples.</p> <p>From our perspective Art. 29 of the Council's General Approach regarding IORP II from 10 December 2014 is sufficient. As a risk management tool the full HBS approach is oversized. But if the HBS became part of any regulation, example 6 could be regarded as one of the less damaging ones. Within this context we reject public disclosure for IORPs. Regarding the complexity of the calculations and problems in communicating the results to members, beneficiaries and especially stakeholders of the sponsoring companies the requirement for public disclosure is not acceptable.</p> <p>No additional funding requirements occur by staying with the current (Solvency I) rules in pillar 1. However, the application of the HBS and SCR calculations in pillar 2 produce a lot of cost. It is appreciated that all security mechanisms can be applied – but then the result of a complete funding at all times could be stated without any calculation in case of a strong sponsor/a pension protection scheme in place and ex-ante benefit reduction mechanisms.</p>	
4.308.	ACA	Q111	<p>We consider that the existing funding framework combined with the risk evaluation for pensions, as currently proposed, provides a prudential regime that is market-consistent and risk based, providing an objective and transparent view of the financial situation of IORPS and promoting proper risk management. The proposed holistic balance sheet is not practical and does not improve on the existing regime. Further, it is likely to have a detrimental impact on the level and type of retirement provision provided in the UK as well as more widely on the European economic environment. We recognise that it may be possible to</p>	Not agreed.

			simplify the holistic balance sheet, as outlined by EIOPA, however, we do not support its implementation, in any form.	
4.309.	Actuarial Association of Europe	Q111	The AAE agrees with EIOPA that "it would be helpful to identify situations where simplifications are possible and appropriate". Such simplifications could include excluding some items (e.g. in calculation of SCR) which are unlikely to be material, and permitting simplified approaches to be used , particularly for small and medium sized IORPs.	Agreed.
4.310.	AEIP	Q111	<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>For the use of simplifications in the QIS, these should be in line with the overarching principle that market consistent valuation methods should be used.</p> <p>Using this overarching principle, we simplest possible approach to using the HBS in risk management environment is to delete all options, and just consider assets and unconditional liabilities. In</p>	<p>Partially agreed.</p> <p>The common framework is proposed as a risk management and transparency tool and provides for a proportionate approach.</p> <p>Agreed.</p> <p>Partially agreed.</p> <p>The balancing item</p>

			<p>case of strong sponsor support, a PPS guaranteeing (almost) all liabilities or benefit reduction mechanism the prove of these HBS items should be enough to substantiate long term sustainability without the need of additional calculations.</p>	<p>approach is being proposed as a simplification in the case of a strong sponsor, a pension protection scheme or unlimited benefit reductions.</p>
4.311.	AGV Chemie	Q111	<p>We think the HBS approach is unsuitable for company pensions and should therefore be omitted. Within this unfitting concept we welcome the idea to simplify the HBS in cases where additional security mechanisms are in place (see Q109). Best simplification would be to omit the HBS concept completely, follow the subsidiarity principle and continue using the rules that have been established in the Member States.</p>	<p>Partially agreed.</p> <p>The common framework provides for a proportionate approach.</p> <p>The balancing item approach is being proposed as a simplification in the case of a strong sponsor, a pension protection scheme or unlimited benefit reductions.</p>
4.312.	Aon Hewitt	Q111	<p>EIOPA should also consider retaining existing methods as an option. Since the case for the holistic balance sheet has yet to be fully made, and appears to have very limited support, ignoring the use of existing methods would seem inappropriate at this stage.</p> <p>The main area for simplification is making sure that this can all be done in a proportionate way for IORPs that are backed by very strong sponsors.</p>	<p>Agreed. The common framework will not replace existing methods.</p> <p>Agreed.</p>

			<p>We are still not convinced that the HBS offers a fully transparent view of the extent to which obligations can be supported by assets and other mechanisms. The HBS tries to combine, and mix up, the position upon insolvency as well as on a going concern. At the very least, these ought to be separated. If an insolvency event actually occurs, then the HBS would have potentially given a misleading position. If it does not, then an excessive surplus could arise (leading to inefficient use of company capital). Therefore, given these concerns, any approach to simplification could still result in issues.</p>	Noted.
4.313.	Association of Pension Lawyers	Q111	<ol style="list-style-type: none"> 1. We suggest that significant further thought is given to whether any potential benefits that might flow from the introduction of an HBS regime would outweigh the costs and complexities of such a regime. 2. As mentioned previously, it seems highly unlikely that the introduction of an EU-wide HBS regime would result in many (if any) UK IORPs providing defined benefit pensions on a cross-border basis. In addition, we are not aware of the exploitation of regulatory arbitrage for DB plans across Member States to any degree. As such, any increased costs and complexities resulting from an HBS regime seem difficult to justify. 3. The difficulty with applying simplifications is that they are likely to work on an arbitrary basis (for example, setting M as 2) and are therefore likely to lead to perverse results which will undermine the entire system. 4. We suggest that further consideration is given to simplifications which involve using a pension protection scheme (regardless of the level of benefits provided by that scheme) together with sponsor support as balancing items so that, in the 	<p>Noted.</p> <p>Noted.</p> <p>Noted.</p> <p>The balancing item approach is being proposed as a simplification in the case of a strong</p>

			vast majority of cases, the HBS will always balance. This would leave national regulators to monitor funding in accordance with the IORP Directive on the current basis.	sponsor, a pension protection scheme or unlimited benefit reductions.
4.314.	Aradius Credit Insurance NV	Q111	We re-emphasise that the HBS could be significantly simplified if the principles of proportionality and the concept of 'a balancing item' are used effectively in developing the specification for a HBS – this applies most directly to an IORP's ability to recognise the full value of sponsor support as a legitimate source of funding for retirement provision	<p>The common framework provides for a proportionate approach.</p> <p>The balancing item approach is being proposed as a simplification in the case of a strong sponsor, a pension protection scheme or unlimited benefit reductions.</p>
4.315.	BAPI	Q111	<p>Q111: Do stakeholders agree that there is scope for simplifications with regard to drawing up the HBS? Which simplifications would you consider most important and in which situations?</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</p>	<p>Partially agreed.</p> <p>The common framework will not be proposed for funding purposes.</p> <p>The common framework provides for a proportionate approach.</p>

			<p>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>BAPI very much welcomes the balancing item approach for the calculation of sponsor support. Nevertheless BAPI wants to emphasize that besides the holistic balance sheet other risk management tools should be recognized as well: ALM studies, stress tests, etc...</p> <p>Prudential legislation at EU level has to set a minimal standard. BAPI believes this standard should just take into account assets and unconditional liabilities. This allows Member States to use the EU regulation as a starting point and to set national funding and capital requirements more adapted to the local (broader) context. IORPs should be allowed to do their proper risk management taking account of their proper needs in terms of frequency, methodology and models.</p>	<p>Agreed. The common framework will not replace existing tools.</p>
4.316.	Barnett Waddingham LLP	Q111	<p>We are unconvinced of the rationale for setting harmonised solvency requirements at European level and remain fundamentally opposed to the holistic balance sheet approach as envisaged by EIOPA. The proposals are complex and will not aid understanding by managers or members of IORPs, nor will they improve security for members. While there may be ways to simplify the proposals, such as allowing sponsor support to be used as a balancing item, we do not believe that this would represent a significant improvement over the current regime, particularly given the additional costs to IORPs and their sponsors.</p>	<p>The common framework will not be proposed for funding purposes.</p> <p>The common framework provides for a proportionate approach and includes supplementary simplifications on top</p>

				of those that were already included in the technical specifications.
4.317.	BASF SE	Q111	We think the HBS approach is unsuitable for company pensions and should therefore not be further considered. Within this unfitting concept we welcome the idea to simplify the HBS in cases where additional security mechanisms are in place (see Q109). Best simplification would be not to use the HBS concept at all, follow the subsidiarity principle and continue using the rules that have been established in the member states.	<p>Partially agreed.</p> <p>The common framework provides for a proportionate approach.</p> <p>The balancing item approach is being proposed as a simplification in the case of a strong sponsor, a pension protection scheme or unlimited benefit reductions.</p>
4.318.	BDA	Q111	We think the HBS approach is unsuitable for company pensions and should therefore be omitted. Within this unfitting concept we welcome the idea to simplify the HBS in cases where additional security mechanisms are in place (see Q109). Best simplification would be to omit the HBS concept completely, follow the subsidiarity principle and continue using the rules that have been established in the Member States.	<p>Partially agreed.</p> <p>The common framework provides for a proportionate approach.</p> <p>The balancing item approach is being proposed as a simplification in the case of a strong sponsor, a pension protection scheme or unlimited benefit</p>

				reductions.
4.319.	Better Finance	Q111	HBS might become a suitable tool for pillar 1, 2 and 3. However, it would require a lot of work to make it a standard SCR, risk management and transparency tool to help align the understanding of IORP financial position and promises made to members. Better Finance thinks there might be some simplifications in the HBS, however they should be considered only under the conditions that it will not decrease the ability of sponsors, members and regulators to assess the real condition of the IORP regarding the pension benefits promises made and presented to the members.	Partially agreed. The common framework is proposed as a risk management and transparency tool and provides for a proportionate approach considering the nature, scale and complexity of the activities and the underlying risks.
4.321.	British Telecommunications plc	Q111	Q111: Do stakeholders agree that there is scope for simplifications with regard to drawing up the holistic balance sheet? Which simplifications would you consider most important and in which situations? EIOPA should also consider an example 7, which is retaining the status quo without the introduction of the holistic balance sheet. Neither EIOPA nor the EC has yet demonstrated why the holistic balance sheet is needed.	Not agreed.
4.322.	Compass Group PLC	Q111	Q111: Do stakeholders agree that there is scope for simplifications with regard to drawing up the holistic balance sheet? Which simplifications would you consider most important and in which situations? Compass Group is opposed to the idea of solvency funding for	Partially agreed. The

			<p>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 should also consider an example 7, which is retaining the status quo without the introduction of the holistic balance sheet. EIOPA has not yet demonstrated why the holistic balance sheet is needed.</p>	<p>common framework will not be proposed for funding purposes.</p> <p>Not agreed.</p>
4.323.	D & L Scott	Q111	<p>The simplification which I would propose, quite seriously, is to scrap the holistic balance sheet approach and move over to a much more useful approach based on IORP-specific cash flows. I say the approach is more useful, both as a tool for trustees to make decisions and monitor and manager their IORP, and also as a tool for supervisors to review and assess the prudence and robustness of the IORP's «complete financial management plan».</p>	Not agreed.
4.324.	EAPSPI	Q111	<p>EAPSPI – given its general rejection of the HBS based on the Solvency II structure for IORPs – welcomes the balancing item approach as it represents a workable heuristic for the notion of IORPs' flexible security mechanisms with respect to sponsors, pension protection schemes and benefit reduction mechanisms. But we think in case of the application of a balancing item the IORP should be totally exempt from other HBS requirements (see Q39).</p>	Partially agreed.
4.325.	Eversheds LLP	Q111	<p>We think that the holistic balance sheet should be scrapped and instead EIOPA should focus on ensuring Member States and national regulators develop prudent funding and regulatory regimes</p>	Not agreed.

			for IORPs where these do not currently exist.	
4.326.	Evonik Industries AG	Q111	We think the HBS approach is unsuitable for company pensions and should therefore be omitted. Within this unfitting concept we welcome the idea to simplify the HBS in cases where additional security mechanisms are in place (see Q109). Best simplification would be to omit the HBS concept completely, follow the subsidiarity principle and continue using the rules that have been established in the Member States.	<p>Partially agreed.</p> <p>The common framework provides for a proportionate approach.</p> <p>The balancing item approach is being proposed as a simplification in the case of a strong sponsor, a pension protection scheme or unlimited benefit reductions.</p>
4.327.	FSUG	Q111	HBS might become a suitable tool for pillar 1, 2 and 3. However, it would require a lot of work to make it a standard Solvency Capital Requirements, Risk Management and Transparency tool to help align the understanding of IORP financial position and promises made to members. FSUG thinks there might be some simplifications in the HBS, however they should be considered only under the conditions that it will not decrease the ability of sponsors, members and regulators to assess the real condition of the IORP regarding the pension benefits promises made and presented to the members.	<p>Partially agreed.</p> <p>The common framework is proposed as a risk management and transparency tool and provides for a proportionate approach considering the nature, scale and complexity of the activities and the underlying risks.</p>
4.328.	GDV	Q111	Do stakeholders agree that there is scope for simplifications with regard to drawing up the holistic balance sheet? Which	

			<p>simplifications would you consider most important and in which situations?</p> <p>It is of utmost importance that further simplifications are introduced for the valuation of the specificities of IORPs such as sponsor support and pension protection schemes. These should be feasible for small and medium-sized IORPs and IORPs with many sponsors.</p>	<p>Agreed.</p>
4.329.	GE	Q111	<p>Possible simplifications</p> <p>Do stakeholders agree that there is scope for simplifications with regard to drawing up the holistic balance sheet? Which simplifications would you consider most important and in which situations?</p> <p>We re-emphasise that the HBS could be significantly simplified if the principles of proportionality and the concept of 'a balancing item' are used effectively in developing the specification for a HBS – this applies most directly to an IORP's ability to recognise the full value of sponsor support as a legitimate source of funding for retirement provision.</p>	<p>Agreed.</p> <p>The common framework provides for a proportionate approach.</p> <p>The balancing item approach is being proposed as a simplification in the case of a strong sponsor, a pension protection scheme or unlimited benefit reductions.</p>
4.330.	GE Pension Trustees Limited	Q111	<p>Possible simplifications</p> <p>Do stakeholders agree that there is scope for simplifications with regard to drawing up the holistic balance sheet? Which simplifications would you consider most important and in which situations?</p>	<p>Partially agreed.</p> <p>The common framework provides for a proportionate approach.</p>

			<p>We believe that the current UK regime copes well with pension funds as complex as the GE schemes and as such we do not believe the HBS will lead to any improvements in IORP governance or additional benefits to members.</p> <p>We re-emphasise that, if the HBS is to be imposed on an EU-wide basis, the HBS could be significantly simplified if the principles of proportionality and the concept of 'a balancing item' are used effectively in developing the specification for a HBS – this applies most directly to an IORP's ability to recognise the full value of sponsor support as a legitimate source of funding for retirement provision.</p>	<p>The balancing item approach is being proposed as a simplification in the case of a strong sponsor, a pension protection scheme or unlimited benefit reductions.</p>
4.332.	Heathrow Airport Limited	Q111	<p>Q111: Do stakeholders agree that there is scope for simplifications with regard to drawing up the holistic balance sheet? Which simplifications would you consider most important and in which situations?</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 should also consider an example 7, which is retaining the status quo without the introduction of the holistic balance sheet.</p>	<p>Partially agreed. The common framework will not be proposed for funding purposes.</p> <p>Not agreed.</p>

			EIOPA has not yet demonstrated why the holistic balance sheet is needed.	
4.333.	Hoechst-Gruppe VVaG	Q111	<p>We think the HBS approach is unsuitable for occupational pensions and should therefore be omitted. Within this unfitting concept we welcome the idea to simplify the HBS in cases where additional security mechanisms are in place (see Q109).</p> <p>The best simplification would be to omit the HBS concept completely, follow the subsidiarity principle and continue using the rules that have been established in the EU Member States. At least, we ask for an exemption from calculating the HBS if there is a strong sponsor guaranteeing a high level of security and/or a strong PPS in place and/or ex-ante benefit reduction mechanisms in place.</p> <p>The answer to Q109 was:</p> <p>Any assessment of an example supervisory framework would have to take into account by far more detailed definitions and descriptions, an outline of the transitional measures, and the simplifications. Since these points are far from clear, it is not possible for us to provide a final assessment of any of the presented examples.</p> <p>From our perspective Art. 29 of the Council's General Approach regarding IORP II from 10 December 2014 is sufficient. As a risk management tool the full HBS approach is oversized. But if the HBS became part of any regulation, example 6 could be regarded as one</p>	<p>Partially agreed.</p> <p>The common framework provides for a proportionate approach.</p> <p>The balancing item approach is being proposed as a simplification in the case of a strong sponsor, a pension protection scheme or unlimited benefit reductions.</p>

			<p>of the less damaging ones. Within this context we reject public disclosure for IORPs. Regarding the complexity of the calculations and problems in communicating the results to members, beneficiaries and especially stakeholders of the sponsoring companies the requirement for public disclosure is not acceptable.</p> <p>No additional funding requirements occur by staying with the current (Solvency I) rules in pillar 1. However, the application of the HBS and SCR calculations in pillar 2 produce a lot of cost. It is appreciated that all security mechanisms can be applied – but then the result of a complete funding at all times could be stated without any calculation in case of a strong sponsor/a pension protection scheme in place and ex-ante benefit reduction mechanisms.</p>	
4.334.	IFoA	Q111	Yes. The most important simplification would be to construct a principles-based approach for the HBS.	Agreed.
4.335.	IVS	Q111	<p>Yes. Simplifications, that reduce complexity and costs, are absolutely necessary to make the regime practicable. A large number of small and medium sized IORPs will have an enormous increase in costs if the fundamental requirements in the consultation paper have to be realised without simplifications applying.</p> <p>For example, an IORP should not be compelled to draw up a HBS/HPF if certain mechanisms exist in the country. Examples include a solid PPS, benefit reduction mechanisms, an overwhelming sponsor support, etc. See our General Comments for an explanation of “HBS/HPF”.</p>	<p>Agreed.</p> <p>The balancing item approach is being proposed as a simplification in the case of a strong sponsor, a pension protection scheme or unlimited benefit reductions.</p>
4.336.	Jane Marshall Consulting	Q111	The simplest solution is to avoid introducing any requirement for a holistic balance sheet. If it is introduced, it should apply only to	Not agreed.

			IORPs established after its introduction.	
4.337.	NAPF	Q111	<p>Q111: Do stakeholders agree that there is scope for simplifications with regard to drawing up the holistic balance sheet? Which simplifications would you consider most important and in which situations?</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.
4.340.	Otto Group	Q111	<p>We think the HBS approach is unsuitable for company pensions and should therefore be omitted. Within this unfitting concept we welcome the idea to simplify the HBS in cases where additional security mechanisms are in place (see Q109). Best simplification would be to omit the HBS concept completely, follow the subsidiarity principle and continue using the rules that have been established in the Member States.</p>	<p>Partially agreed.</p> <p>The common framework provides for a proportionate approach.</p> <p>The balancing item approach is being proposed as a simplification in the case of a strong sponsor, a pension protection scheme or unlimited benefit reductions.</p>

			<p>For the use of simplifications in the QIS, they should be in line with the overarching principle of using market consistent valuation methods.</p> <p>Using this overarching principle, we see three possible approaches for using the HBS in a risk management environment:</p> <ul style="list-style-type: none"> - Option 1: Delete all options, and just consider assets and unconditional liabilities. - Option 2: Do a full analysis without any simplifications thus including all options in the HBS and achieving consistency. - Option 3: Value all included options using a simplified approach that satisfies the overarching principle. In this case, we recommend not to use risk-neutral pricing to value some options and a simplified approach to value others, as this will result in mispriced options from the risk-neutral analysis. 	Noted.
4.342.	PensionsEurope	Q111	<p>Do stakeholders agree that there is scope for simplifications with regard to drawing up the holistic balance sheet? Which simplifications would you consider most important and in which situations?</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>	Agreed.

			PensionsEurope welcomes the idea to simplify the HBS in cases where additional security mechanisms are in place.	The balancing item approach is being proposed as a simplification in the case of a strong sponsor, a pension protection scheme or unlimited benefit reductions.
4.343.	PSVaG	Q111	We think that simplifications and exemptions are justified if a strong security mechanism such as a PPS exists.	Agreed. The balancing item approach is being proposed as a simplification in the case of a strong sponsor, a pension protection scheme or unlimited benefit reductions.
4.344.	Punter Southall	Q111	The obvious simplification that could be applied is not to use the holistic balance sheet at all. There is no evidence to support a revision of the existing IORP funding framework which has continued to work well, even in the existing challenging economic environment.	Not agreed.
4.347.	RPTCL	Q111	We believe that any holistic balance sheet could be significantly simplified by applying the principle of proportionality and allowing the sponsor support items to act as a balancing item (where the IORP believes the level of sponsor support is sufficient to do so having used judgement and analysis to assess the level of sponsor support "in the round").	Agreed. The common framework provides for a proportionate approach. The balancing item approach is being

				proposed as a simplification in the case of a strong sponsor, a pension protection scheme or unlimited benefit reductions.
4.348.	Siemens Pensionsfonds	Q111	We think the HBS approach is unsuitable for company pensions and should therefore be omitted. Within this unfitting concept we welcome the idea to simplify the HBS in cases where additional security mechanisms are in place (see Q109). Best simplification would be to omit the HBS concept completely, follow the subsidiarity principle and continue using the rules that have been established in the Member States.	Partially agreed. The common framework provides for a proportionate approach. The balancing item approach is being proposed as a simplification in the case of a strong sponsor, a pension protection scheme or unlimited benefit reductions.
4.349.	Society of Pension Professionals	Q111	Possible simplifications Do stakeholders agree that there is scope for simplifications with regard to drawing up the holistic balance sheet? Which simplifications would you consider most important and in which situations? 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	The common framework will not be proposed for funding purposes.

			<p>this work: In particular, we believe that funding/capital requirements should be left to individual Member States. If an individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.</p> <p>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong - in part because of the huge variation between Member States in relation to the replacement ratios arising from first/second pillar provision. Attempting to harmonise one whilst ignoring the other has potentially significant adverse repercussions. Moreover, we are not convinced that continued expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</p> <p>We consider that the existing funding framework combined with the risk evaluation for pensions, as currently proposed, provides a prudential regime that is market-consistent and risk based, providing an objective and transparent view of the financial situation of IORPS and promoting proper risk management. The proposed holistic balance sheet is not practical and does not improve on the existing regime. Further, it is likely to have a detrimental impact on the level and type of retirement provision provided in the UK as well as more widely on the European economic environment. We recognise that it may be possible to simplify the holistic balance sheet, as outlined by EIOPA, however, we do not support its implementation, in any form.</p>	<p>Noted.</p> <p>Noted.</p>
4.351.	Towers Watson	Q111	<p>Possible simplifications</p> <p>Do stakeholders agree that there is scope for simplifications with regard to drawing up the holistic balance sheet? Which</p>	

			<p>simplifications would you consider most important and in which situations?</p> <p>Yes, there is scope for considerable simplification, but perhaps a bigger issue is to establish what “problems” the HBS is trying to fix and then considering the advantages and disadvantages of the holistic balance sheet over the existing regime. If Example 6 is intended effectively to be as close as possible to the current regimes, why is maintaining the status quo not presented as an example for comment?</p> <p>Having answered the above question, should development of a HBS still be considered appropriate, we re-emphasise that it could be significantly simplified if the principles of proportionality and the concept of ‘a balancing item’ are used effectively in developing the specification for a HBS – this applies most directly to an IORP’s ability to recognise the full value of sponsor support as a legitimate source of funding for retirement provision.</p>	<p>Noted.</p> <p>Agreed.</p> <p>The common framework provides for a proportionate approach.</p> <p>The balancing item approach is being proposed as a simplification in the case of a strong sponsor, a pension protection scheme or unlimited benefit reductions.</p>
4.352.	United Utilities Group	Q111	<p>Q111: Do stakeholders agree that there is scope for simplifications with regard to drawing up the holistic balance sheet? Which simplifications would you consider most important and in which situations?</p>	

			EIOPA should also consider an example 7, which is retaining the status quo without the introduction of the holistic balance sheet. EIOPA has not yet demonstrated why the holistic balance sheet is needed.	Not agreed.
4.353.	USS Limited	Q111	Refer to question 98.	Noted.
4.354.	ZVK-Bau	Q111	Apart from the overall unfitting concept of the HBS for our scheme we consider most important that the existence and security of each and every balancing item might be « proven » in a qualitative way. Once the existence of a balancing items is proven to the satisfaction of the national supervisor the IORPs does not have to calculate an HBS anymore.	Not agreed.