	Comments Template on EIOPA-CP-11/006 **Response to Call for Advice on the review of Directive 2003/41/EC: second consultation**	**Deadline** **02.01.2012** **18:00 CET**
Company name:	**Alecta pensionsförsäkring, ömsesidigt** Contact: Magnus Landare, Chief Legal Officer Regeringsgatan 107, SE-103 73 Stockholm, Sweden, telephone +46 8 441 68 70	
Disclosure of comments: **Confidential**	EIOPA will make all comments available on its website, except where respondents specifically request that their comments remain confidential. *Please indicate if your comments on this CP should be treated as confidential, by deleting the word **Public** in the column to the left and by inserting the word **Confidential**.*	Public

The question numbers below correspond to Consultation Paper No. 06 (EIOPA-CP-11/006).

Please follow the instructions for filling in the template:

- Do **not** change the numbering in column "Question".
- Please fill in your comment in the relevant row. If you have no comment on a question, keep the row empty.
- There are 96 questions for respondents. Please restrict responses in the row "General comment" only to material which is not covered by these 96 questions.
- Our IT tool does not allow processing of comments which do not refer to the specific question numbers below.
  - If your comment refers to multiple questions, please insert your comment at the first relevant question and mention in your comment to which other questions this also applies.
  - If your comment refers to parts of a question, please indicate this in the comment itself.

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Question	Comment

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General comment	Alecta has managed occupational pension schemes since 1917 and the ITP plan – a DB pension scheme for salaried employees with some 1.5 million individual members and more than 30,000 member companies – since 1960. Even though indexation is not a guaranteed benefit in the ITP plan Alecta has managed to deliver full indexation to the scheme members during the whole period 1960-2011. On a couple of occasions, where the financial situation has been under pressure, the indexation has been achieved with financial support arranged by the parties to the ITP plan – the Confederation of Swedish Enterprise and PTK (the Council for Negotiation and Co-operation). The history of Alecta and the ITP plan is thus an excellent example of how IORPs work in practice and it also shows that IORPs have specific qualities that motivate specific rules. The fact that the parties to the ITP plan are deeply involved in Alecta's business (e.g. by appointing board members at the annual meetings) – which also is typical for IORPs – has of course played a central role for the high priority given to indexation of pensions during the first 51 years of the ITP plan, although indexation is not a guaranteed benefit. The actions arranged by the parties behind the ITP plan to secure indexation in particularly stressed situations are also distinctive. It should be noted that these actions have been taken without any mandatory legislation, directives or any binding sponsor undertaking. Instead these actions are based on the inherent power of the pension promise that has been negotiated between the parties behind the ITP plan. By this Alecta would emphasize that stricter solvency capital requirements during the past 50 years would hardly have helped Alecta to achieve a better outcome for the scheme members within the ITP plan. On the contrary, stricter capital requirements would most likely have forced Alecta to invest in more "secure" assets which would have provided lower yields. This in turn would have led to a substantial risk of loss of indexation and thus lower pensions and lower purchasing power for a large part of the Swedish population and to higher pension costs for companies, higher costs for employees and a smaller room for salary increases. The defined benefit part of the ITP plan is thus clearly a very robust system, which is extremely well adapted for long term pension management.	

In light of the above Alecta would like to point to the development for IORPs and insurance companies in Sweden during the second half of 2011 when the euro crisis raged at its worst.

Sweden has in a European perspective, a number of positive features;

- a high proportion of funded pensions,
- very strong public finances and
- a very small national debt with short maturity.

These, in themselves positive, attributes have, in combination with the euro crisis, led to the fact that Sweden has become extremely attractive to investors worldwide. In turn this has pressed the Swedish long-term interest rates to artificially low levels, which has had a direct and tremendously heavy impact on the technical provisions of Swedish IORPs and Swedish insurance companies. Therefore the development in Sweden in 2011 is an excellent example to study as regards the potential harmful and adverse effects – including procyclical risks – of a solvency capital requirement that is too strict and to sensitive to short term market fluctuations;

Short-term fluctuations in the solvency capital risk to force IORPs and insurance companies to take actions that potentially are extremely harmful and could cause permanent injuries. Injuries that could adversely affect not only the scheme members of the IORPs – i.e. the people that the regulations ultimately should be designed to protect – but also the financial markets and, by extension, the Swedish economy at large.

Alecta fears that the drastic increase of the solvency capital requirements for IORPs that an introduction of Solvency II solvency requirements would lead to for IORPs throughout Europe could lead to similar consequences that Swedish IORPs and insurance companies have experienced in 2011, though in a completely different (larger) scale, with significant adverse effects for the whole European economy.

	Thus the development in Sweden during the second half of 2011 illustrates quite well how stringent capital requirements may affect IORPs in Europe. Although the pressure on the technical provisions of Swedish IORPs and insurance companies during 2011 was triggered mainly by the artificially low Swedish long-term interest rates, Alecta believes that the effects that have been experienced are similar to what can happen if the IORP II Directive should lead to the Solvency II capital requirements being imposed on IORPs. Against the above background Alecta would firmly advise against the imposition of solvency capital requirements in accordance with Solvency II on IORPs. Alecta rather believes that the European Commission should seek to design solvency capital requirements for IORPs that are more counter cyclical and less sensitive to short term market fluctuations.	
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	Comments Template on EIOPA-CP-11/006 Response to Call for Advice on the review of Directive 2003/41/EC: second consultation	Deadline 02.01.2012 18:00 CET
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	Comments Template on EIOPA-CP-11/006 Response to Call for Advice on the review of Directive 2003/41/EC: second consultation	Deadline 02.01.2012 18:00 CET
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