

**Comments Template on  
Consultation Paper on Further Work on Solvency of IORPs**

**Deadline  
13 January 2015  
23:59 CET**

Name of Company:	SPP The Society of Pension Professionals	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> <li>⇒ Do <b>not</b> change the numbering in the column "reference"; <b>if you change numbering, your comment cannot be processed by our IT tool</b></li> <li>⇒ Leave the last column <u>empty</u>.</li> <li>⇒ Please fill in your comment/response in the relevant row. If you have <u>no response</u> to a question, keep the row <u>empty</u>.</li> <li>⇒ Our IT tool does not allow processing of comments/responses which do not refer to the specific numbers below.</li> </ul> <p><b>Please send the completed template, <u>in Word Format</u>, to <a href="mailto:CP-14-040@eiopa.europa.eu">CP-14-040@eiopa.europa.eu</a> . Our IT tool does not allow processing of any other formats.</b></p> <p>The numbering of the questions refers to <b>Consultation Paper on Further Work on Solvency of IORPs</b>.</p>		
<b>Reference</b>	<b>Comment</b>	
General Comment	<p>The Society of Pension Professionals (SPP) is the UK representative body for a wide range of providers of advice and services to work-based pension schemes and to their sponsors. We do not lobby on behalf of companies, organisations or individuals. Our Members' profile is a key strength and includes accounting firms, solicitors, life offices, investment houses, investment performance measurers, consultants and actuaries, independent trustees and external pension administrators. The Society is the only body to focus on the whole range of pension related services across the private pensions sector and through such a wide spread of providers of advice and services. We do not represent any particular type of provision or any one interest body or group.</p>	

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Many thousands of individuals and pension funds use the services of one or more of our Members, including the overwhelming majority of the 500 largest UK pension funds. Our growing membership collectively employs some 15,000 people providing pension-related advice and services.

These comments have been prepared by the Society's European Committee.

The Committee comprises professional advisers – mainly legal and actuarial - to an array of UK IORPs and representatives of UK insurers.

Responsibility for drafting responses to particular questions has been allocated to several of the Committee members. Those responses have been shared across and agreed by the Committee.

At least one of the Committee questions the legal basis for EIOPA taking this initiative process and as such does not wish to enter into this dialogue for fear that engagement will be taken as consent. This is based on the fact that this has happened before.

It was also widely reported that during the development of the IORP 2 Directive proposals that there would likely have been a blocking minority under the qualifying majority voting rules against any type of solvency rules being introduced. This resulted in solvency rules being removed from the proposal - which has recently been agreed by the Council of the European Union. Some of our members take exception to this transparent attempt to side-step the processes of democratic accountability built into the EU legislative process. We do not believe that EIOPA should undertake this work, irrespective of whether it considers it able to do so on an „own initiative“ basis under regulation 1094/2010. In our view, it is questionable that the Regulation actually provides for EIOPA to carry out such detailed analysis and work on its own initiative and we believe that EIOPA should – for the record - set out the precise aspects of the Regulation on which it is relying.

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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.

As we understand that EIOPA uses a computer-based 'tool' to analyse responses to its consultations, we have repeated the previous two paragraphs at the beginning of each answer, so that our response should be considered in the appropriate context. (We have attempted to make any additional comment clear by ensuring that the general contextual comment is shown in italics.)

Q1

**Contract boundaries**

Do stakeholders think that the word “contract” is an adequate description of the characteristics of the set of rules and arrangements governing the provision of benefits to members and beneficiaries by an IORP?

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The use of the term “contract” in the context of IORPs in the UK could be misleading and is an example of why copying from the Solvency provisions designed for insurers is not appropriate. One option would be to define the term to clarify that it encompasses all the legal documentation governing the provision of benefits under the IORP, whether this takes the form of a contract, trust deed, plan rules etc

Q2

Do stakeholders think that the word “boundary” is suitable here?

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A more usual term in the context of UK IORPs would be “accrued benefits” or “accrued liabilities” which refers to those benefit entitlements earned by members under the governing

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	documentation of the plan up until the date of the valuation of the benefits / liabilities.	
Q3	<p>If not, please provide an expression more suitable for IORPs which could replace the expression “contract boundaries”.</p> <p><i>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.</i></p> <p><i>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.</i></p> <p>None immediately springs to mind.</p>	
Q4	<p>Do stakeholders have any general comments on the above section?</p> <p><i>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.</i></p> <p><i>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</i></p>	

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	<p><i>expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</i></p> <p>In the context of an IORP the rights/powers may rest unilaterally or jointly with the governing body of the IORP (e.g. the plan trustees) and/or the sponsor, the social partners or the regulator. This should be reflected in the definition of the contract boundaries.</p> <p>Additionally, the acquisition of benefit rights under an IORP is not solely linked to the collection / payment of contributions during the same period during which the rights are acquired. A benefit entitlement may be acquired but not fully funded at the time it is earned – an IORP rejecting a contribution payment would not necessarily prevent the benefit entitlement being acquired.</p>	
Q5	<p>Do stakeholders think that unilateral rights (or obligations) of an IORP to terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk should be the basis for a definition of contract boundaries for IORPs? Are there cases where such rights (or obligations) should be the basis for a definition of contract boundaries for IORPs even though they are not unilateral rights (or obligations) of the IORP, but can be exercised unilaterally or jointly by other parties (possibly together with the IORP)?</p> <p><i>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.</i></p> <p><i>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.</i></p>	

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	<p>Unilateral rights (or obligations) of an IORP to terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk should form part of the definition of contract boundaries for IORPs.</p> <p>Where similar powers under the governing documentation of the IORP can be exercised unilaterally or jointly by other parties (possibly together with the IORP), these should also form part of the definition. For example, such powers may rest with the sponsor or may be held jointly by the sponsor and the IORP.</p>	
Q6	<p>Do stakeholders agree with the analysis above of the different ways of liabilities of IORPs arising? <i>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.</i></p> <p><i>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.</i></p> <p>Yes.</p>	
Q7	<p>Do stakeholders think that there should be a distinction between incoming cash-flows which are considered as “regular contributions” to finance (the accrual of) benefits on the one hand and sponsor support on the other hand? What is the view of stakeholders regarding the practicality of such a distinction? <i>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped</i></p>	

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	<p><i>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.</i></p> <p><i>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.</i></p> <p>Defined benefit plans in the UK generally distinguish between « regular contributions » to finance the accrual of benefits during the year and additional contributions paid by the sponsor to fund the benefits accrued in prior periods. A distinction could therefore be made in terms of incoming cash flows to the IORP.</p> <p>It is not clear how transfers of accrued benefit entitlements from one IORP to another should be taken account of. Would such cash flows be assigned to the « regular contributions » category or would a separate category be required?</p>	
Q8	<p>Do stakeholders agree, that, if there was a distinction as described in question Q7, “regular contributions” should be recognised in technical provisions while sponsor support should be treated separately?</p> <p><i>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.</i></p>	

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As the technical provisions are a measure of the value of the IORP's liabilities, recognising « regular contributions » within the technical provisions and showing « sponsor support » separately would appear only to be practical where contributions are paid into the IORP that lead to a liability arising in the IORP (as described in 4.30.i. of the Consultation Paper). Where liabilities build up due to continued service (as described in 4.30.ii. of the Consultation Paper) rather than linked directly to the amount of contributions paid, technical provisions would more intuitively be calculated by reference to the benefits accrued rather than the amount of « regular contributions » paid.

Do stakeholders agree that payments by the IORP to the sponsor related to a surplus of the IORP (in case such payments are allowed for in the scheme) should not be recognised in technical provisions of the IORP? If not, how/where should they be recognized/presented in the holistic balance sheet?

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Q9

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	<p><i>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.</i></p> <p>Yes – payments by the IORP to the sponsor related to a surplus of the IORP should not be recognised in the technical provisions of the IORP.</p>	
Q10	<p>Are stakeholders aware of cases in which there would be an obligation of the IORP to pay out benefits without having received any contributions/payments to finance those benefits (e.g. because the obligation is constituted by social and labour law)? If yes, please describe.</p> <p><i>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.</i></p> <p><i>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.</i></p> <p>There is an extreme example. Where the UK or European Courts determine that a particular benefit has to be paid where it was previously not thought to be due.</p>	
Q11	<p>Do stakeholders believe that the contract boundaries could be defined based on future benefit payments rather than contribution or premiums?</p> <p><i>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</i></p>	

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*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.*

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Yes – contract boundaries could be defined based on future benefit payments. Where liabilities build up due to continued service of the member (rather than arising as the result of a contribution paid to the IORP) this would be the more appropriate approach.

Do stakeholders have any general comments on the above section?  
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The recognition of cash flows in the technical provisions should be limited to those payments that

Q12

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	<p>the IORP is obliged to make based on the benefits accrued up until the date at which the technical provisions are to be valued. As such it can be argued that no allowance should be made in technical provisions for increases in benefits related to future salary increases.</p> <p>Benefit accrual in respect of service after the assessment date, discretionary benefits / increases that had not been granted at the valuation date, benefit rights / entitlements that only arise if a contribution is paid (that had not been received at the valuation date) should not form part of the technical provisions as these obligations have not yet arisen.</p>	
Q13	<p>Do stakeholders have any general comments on the above section?</p> <p><i>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.</i></p> <p><i>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.</i></p> <p>IORPs should not be required to include pure discretionary benefits within technical provisions. The approach should permit IORPs / sponsors to reflect such discretionary benefits as they expect to grant in future. Where the sponsor has a legal obligation to fund the benefits provided by the IORP, it should be the sponsor's expectation of the discretionary benefits that determines the allowance made.</p>	
Q14	<p>Do stakeholders think that the above definition of contract boundaries for IORPs is in line with the general idea that cash-flows should be recognised if and only if they lead to risks building up in the IORP as described in section 4.2.4 (all those cash-flows should be in technical provisions; no cash-</p>	

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	<p>flows where all risks could be avoided should be in technical provisions)?</p> <p><i>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.</i></p> <p><i>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.</i></p> <p>No. The contract boundaries should not be required to include cash flows in respect of benefits linked to future service accrual or linked to contribution payments that had not yet been received by the IORP at the valuation date of the technical provisions. These events have not yet occurred and as such the rights and obligations have not yet arisen.</p>	
Q15	<p>In case more/higher cash-flows than appropriate (compared with the general idea) are included in technical provisions according to this definition, how should the definition be amended to exclude them?</p> <p><i>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.</i></p> <p><i>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong -</i></p>	

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	<p><i>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.</i></p> <p>The definition should be restricted to contributions paid / service completed up to the valuation date of the technical provisions.</p>	
Q16	<p>In case not all cash-flows which lead to risk building up in the IORP, as explained in section 4.2.4, are included, with which wording could they be included?</p>	
Q17	<p>Is the wording of the definition appropriate for IORPs?</p> <p><i>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.</i></p> <p><i>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.</i></p> <p>No. Recognition of the powers / rights of the sponsor should be included within the definition. (Currently only the unilateral powers / rights of the IORP are reflected. As noted in 4.25 it is not generally the IORP that makes the benefit promises, but sponsors/employers use an IORP as a vehicle to provide the promised benefits.)</p>	
Q18	<p>Is it necessary to have both 2. a. and b. in the above definition, or could a. be restricted to cases</p>	

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	<p>where a termination of the agreement leads to a stop of additional contributions and/or the repayment of contributions received/payment of a surrender value (and then maybe a. and b. could be combined)?</p> <p><i>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.</i></p> <p><i>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.</i></p> <p>We recommend retaining both 2.a. and b. The points made are distinct, for example steps can be taken to prevent additional obligations being granted, but the IORP could continue to operate in respect of the previously accrued obligations without having to be terminated.</p> <p>Additionally, a number of sponsors may participate in the same IORP. The agreement for one of these sponsors could be terminated whereas the IORP continues in operation for the others.</p>	
Q19	<p>Are there additional rights of the IORP or another party (unilateral or not) which should be considered in the definition (see section 4.2.4)?</p> <p><i>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.</i></p>	

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Q20	<p>Is it clear from the proposed wording of the definition that in principle not only benefits (out-going cash-flows), but also contributions (incoming cash-flows) have to be recognized in technical provisions?</p> <p><i>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.</i></p> <p><i>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.</i></p> <p>Yes.</p>	
Q21	<p>Are the cases described in parts a) and b) of the definition clearly distinguishable in practice?</p> <p><i>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</i></p>	

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Yes. However, please note that some IORPs will have both types of benefits and so would need to apply parts a) and b) to different obligations within the same IORP.

Are the conditions mentioned above for making unilateral rights of the sponsor part of the definition of contract boundaries sufficient, or should further conditions be included? How could those rights and conditions be merged into the proposed definition of contract boundaries?  
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	<p>Treatment of additional points should be considered :</p> <ul style="list-style-type: none"> <li>- Sponsor may be able to terminate accrual, subject to a final contribution payment which may or may not secure member benefits in full. How would this be treated?</li> <li>- Powers / rights exercised jointly by the IORP (in the UK context by the plan trustees) and the sponsor – how would these be treated?</li> </ul>	
Q23	<p>Do stakeholders agree that the proposed adapted definition of contract boundaries for IORPs (above) leads to the results described in this section? If not, please explain.</p> <p><i>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.</i></p> <p><i>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.</i></p> <p>Yes. Though as noted in responses to previous questions, we would wish to see further adaptations made to the definition.</p>	
Q24	<p><b>Discretionary decision-making processes</b></p> <p>Do stakeholders consider the above definitions workable? If not, please explain why not and how you would suggest to improve the definition(s).</p> <p><i>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</i></p>	

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*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.*

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Seem reasonable. However, we note that « mixed benefits » describe a wide spectrum from almost pure discretionary benefits through to almost pure conditional benefits. Depending on the treatment of mixed benefits as part of the technical provisions, this category may need to be further subdivided.

Do stakeholders have any general comments on the above section?

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	<p>For individual IORPs sufficient historical data may not be readily available to determine a meaningful pattern. Additionally, decisions taken in previous years may not be an appropriate guide to future decision-making in relation to discretionary benefits. Consider aligning approach with IFRS (constructive obligation) or whether the benefits are being funded for under the locally applicable funding standards.</p>	
Q26	<p>Would it be possible, in the views of stakeholders, to properly quantify the relation between the funding position of the IORP and elements of discretionary decision-making (the pattern) in order to take the pattern into account in the valuation process? If so, how?</p> <p><i>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.</i></p> <p><i>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.</i></p> <p>Unlikely to be sufficiently objective or robust – insufficient data, influencing factors on previous decisions that no longer apply, new factors influencing decision-makers (potentially including the implications on solvency / funding requirements being consulted upon in this Consultation Paper).</p>	
Q27	<p>Do stakeholders agree that IORPs need to produce a best estimate of expected future payments (under different scenarios), if pure discretionary benefits were to be recognised in a holistic balance sheet? If not, what alternative would you suggest?</p> <p><i>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</i></p>	

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No. We do not consider that pure discretionary benefits should be recognised in the holistic balance sheet. As such, IORPs should not be required to produce best estimates of future payments.

Do stakeholders agree that IORPs need to produce a best estimate of expected future payments (under different scenarios), if mixed benefits were to be recognised in a holistic balance sheet? If not, what alternative would you suggest?

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	<p><i>by any perceived benefit.</i></p> <p>This should be for individual Member States and their national competent authorities to determine.</p>	
Q29	<p>Do stakeholders agree that IORPs need to produce a best estimate of expected future sponsor payments (under different scenarios), if non-legally enforceable sponsor support was to be included on the holistic balance sheet? If not, what alternative would you suggest?</p> <p><i>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.</i></p> <p><i>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.</i></p> <p>This should be for individual Member States and their national competent authorities to determine.</p>	
Q30	<p>Do stakeholders agree that these are the two options for valuing off-balance capital instruments? If not, what alternative options would you suggest?</p> <p><i>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</i></p>	

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	<p><i>circumstances, they would be free to adopt this.</i></p> <p><i>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.</i></p>	
Q31	<p>Which option do you support? Please explain why you support this option. Ought to reflect that full value available at the valuation date may not be the value available if the off balance sheet asset were actually used.</p> <p><i>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.</i></p> <p><i>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.</i></p> <p>This should be for individual Member States and their national competent authorities to determine.</p>	
Q32	<p>Do stakeholders agree that surplus funds should be valued for their nominal value? If not, how would you suggest to value surplus funds?</p> <p><i>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</i></p>	

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Q33	Do stakeholders agree that these are the three options for valuing subordinated loans? If not, what alternative options would you suggest?	
Q34	<p>Which option do you support? Please explain why you support this option.</p> <p><i>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.</i></p> <p><i>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.</i></p>	

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	<p>This should be for individual Member States and their national competent authorities to determine.</p>	
Q35	<p><b>Benefit reduction mechanisms</b> Do stakeholders agree with these two approaches to valuing benefit reduction mechanisms? If not, what alternatives or amendments would you suggest? <i>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.</i></p> <p><i>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.</i></p> <p>Yes.</p>	
Q36	<p><b>Legally enforceable sponsor support</b> Do stakeholders agree that at the EU level, there should only be a principle based approach to valuing sponsor support with the specifics being left to member states/supervisors and/or IORPs? <i>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.</i></p> <p><i>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong -</i></p>	

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We question the value of even providing EU level principles. It should be left to individual Member States to determine what – if anything – they consider is appropriate to do in relation to the work that EIOPA has carried out to date in relation to the valuation of sponsor support and the wider use of the HBS. The range of outcomes exemplified by the various options set out in table 4.2 (and there are yet other ways of valuing sponsor support) demonstrates the inappropriateness of trying to place a single number value on sponsor support.

Do stakeholders agree with the overarching principle that the valuation of sponsor support should be market consistent? If not, what principle(s) would you suggest?  
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Theoretically this may appear attractive – but leaves one with the question of quite what is ‘market consistency’ in this context? EIOPA’s work on this demonstrates that this is not possible in

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	practice.	
Q38	<p>Do stakeholders agree that in order to achieve this market consistent valuation, the expected cash flows required by the IORP should be valued allowing for affordability and credit risk of the sponsor? If not, what approach(es) would you suggest?</p> <p><i>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.</i></p> <p><i>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.</i></p> <p>EIOPA has yet to convince us that it is possible to achieve a robust market consistent valuation.</p>	
Q39	<p>What is the general view of stakeholders with regard to sponsor support as a balancing item?</p> <p><i>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.</i></p> <p><i>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</i></p>	

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	<p><i>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.</i></p> <p>Ultimately this is the only logical step if a valuation of sponsor support is to be included in a HBS (or similar framework). It is a matter for national competent authorities and Governments of individual Member States to determine how those managing IORPs and those supervising them should consider using this information.</p>	
Q40	<p>Which conditions should apply for sponsor support to be treated as a balancing item? <i>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.</i></p> <p><i>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.</i></p> <p>It should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	
Q41	<p>Are there other cases beyond the cases mentioned above in which sponsor support could be treated as a balancing item? <i>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</i></p>	

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It should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.

Do stakeholders have a view as to what value of M would be appropriate?

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This is not applicable, as sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do

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	otherwise.	
Q43	<p>Do stakeholders think a pension protection scheme could in principle be considered as impacting on sponsor support to allow it to be a balancing item if it is considered financially strong and based on a sufficiently permanent and certain legal arrangement?</p> <p><i>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.</i></p> <p><i>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.</i></p> <p>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	
Q44	<p>Should considering a pension protection scheme as a balancing item be restricted to cases where a pension protection scheme protects 100% of benefits or is it appropriate to allow for the reduction in benefits in case of sponsor default where there is a pension protection scheme in place?</p> <p><i>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.</i></p>	

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	<p><i>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.</i></p> <p>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise</p>	
Q45	<p>Do stakeholders believe that it is appropriate that where a pension protection scheme is used as the balancing item, a separate minimum level of funding with financial assets and/or sponsor support should be required?</p> <p><i>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.</i></p> <p><i>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.</i></p> <p>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise</p>	
Q46	<p>Do stakeholders agree that technical specifications should allow for a principles-based, IORP specific valuation of sponsor support? Please explain.</p>	

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*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.*

*Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.*

*In what areas of valuation of sponsor support would it be most useful for EIOPA to specify guidance? Please explain and describe the possible contents of such guidance.*  
*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.*

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Q47

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	<p><i>by any perceived benefit.</i></p> <p>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	
Q48	<p>Are there any other issues in relation to stochastic models, which you believe should be covered? <i>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.</i></p> <p><i>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.</i></p> <p>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	
Q49	<p>Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate? <i>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.</i></p>	

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	<p><i>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.</i></p> <p>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	
Q50	<p>As EIOPA has provided a model for IORPs to derive a value using this specification as long as they provide the above input data, what more should EIOPA do to encourage use of this approach where appropriate?</p> <p><i>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.</i></p> <p><i>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.</i></p> <p>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	
Q51	Do stakeholders believe that this approach is a suitable simplified method for determining sponsor	

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	<p>support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?</p> <p><i>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.</i></p> <p><i>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.</i></p> <p>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	
Q52	<p>As EIOPA has provided a model for IORPs to derive a value using this specification as long as they provide the above input data, what more should EIOPA do to encourage use of this approach, where appropriate?</p> <p><i>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.</i></p> <p><i>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</i></p>	

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	<p><i>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.</i></p> <p>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	
Q53	<p>Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?</p> <p><i>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.</i></p> <p><i>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.</i></p> <p>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	
Q54	<p>Should EIOPA produce spreadsheets to enable IORPs to use this simplification?</p> <p><i>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</i></p>	

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*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.*

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

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Q55

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	States and their supervisory authorities consider appropriate to do otherwise.	
Q56	<p>Do the proposed adaptations to this option overcome the criticisms? Should EIOPA produce spreadsheets to enable IORPs to use this simplification?</p> <p><i>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.</i></p> <p><i>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.</i></p> <p>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	
Q57	<p>Do stakeholders agree that a simplified one-size-fits-all approach for the calculation of maximum sponsor support is not possible and so the best approach is the proposed principles-based approach for including sponsor affordability? If not, please explain.</p> <p><i>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.</i></p> <p><i>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong -</i></p>	

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	<p><i>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.</i></p> <p><i>We agree that it is not possible to place a meaningful ,unique‘ number on sponsor support. Had it been so, then those countries that have a strong reliance on such support for the protection of the pensions of its citizens would have done so. However, we disagree with the implication that it follows that there should be a „proposed principles-based approach“. Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</i></p>	
Q58	<p>In respect of a further quantitative impact assessment, would stakeholders like EIOPA to define the parameters to use for maximum sponsor support? If yes, how could EIOPA improve the approach set out in the previous QIS? <b>No.</b></p>	
Q59	<p>Do stakeholders think that other options should be considered to determine a value to be used to assess overall sponsor affordability?</p> <p><i>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.</i></p> <p><i>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.</i></p>	

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	<p>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	
Q60	<p>Do stakeholders believe that the approaches presented cover the full range of possibilities to estimate sponsor default probabilities? If not, what specific alternative approaches would stakeholders suggest?</p> <p><i>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.</i></p> <p><i>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.</i></p> <p>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	
Q61	<p>What in stakeholders views is the appropriate time period on which to consider possible payments from sponsors for the calculation of sponsor support? Please explain.</p> <p><i>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.</i></p>	

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Q62	<p>Please provide your views on this suggested approach.</p> <p><i>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.</i></p> <p><i>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.</i></p> <p>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	
Q63	<p>Are there any other suggestions on how to deal with single sponsors with multiple IORPs?</p> <p><i>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</i></p>	

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*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.*

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Please provide your views on this suggested approach.  
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	States and their supervisory authorities consider appropriate to do otherwise.	
Q65	<p>Are there any other suggestions on how to deal with multiple employer IORPs?</p> <p><i>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.</i></p> <p><i>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.</i></p> <p>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	
Q66	<p>Please provide your views on this suggested approach.</p> <p><i>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.</i></p> <p><i>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</i></p>	

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	<p><i>expenditure of time, effort and money by EIOPA, national professional bodies and IORPs is justified by any perceived benefit.</i></p> <p>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	
Q67	<p>Please provide your views on this suggested approach.</p> <p><i>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.</i></p> <p><i>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.</i></p> <p>Sponsor support should be treated as a balancing item in all cases – unless individual Member States and their supervisory authorities consider appropriate to do otherwise.</p>	
Q68	<p>Are there any other suggestions on how to deal with not-for-profit entities?</p> <p><i>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.</i></p>	

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Q69	<p><b>Pension protection schemes</b> Do stakeholders agree with the above comments on the options to value pension protection schemes? If not, please explain.</p> <p><i>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.</i></p> <p><i>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.</i></p> <p>In principle we believe that it is relevant to take account of the value of pension protection schemes – because it is relevant to the overall security of the pension promise from the perspective of the member. However, <i>how</i> to do so is not readily apparent.</p>	
Q70	Which of the options to value pension protection schemes do stakeholders prefer?	

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We believe that how a PPS should be valued needs to be considered further. More work is also needed to determine how complicated such a valuation would be and, therefore, how costly. Only then could an adequate assessment be made as to whether this cost is justified by any benefit to the members. Our starting point would be that such an assessment is not easy and of highly questionable use to the member. It follows, that this calls into question the viability of the HBS at all – as to include the PPS is challenging, but to exclude it would be nonsensical given the value it has to the member in relation to security of the promised benefits.

Do stakeholders think a pension protection scheme could in principle be considered a balancing item on the holistic balance sheet, if considered as a separate asset on the holistic balance sheet?  
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Q71

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Yes, in principle. To this end, it seems to make any HBS assessment irrelevant for those countries that provide an appropriate PPS.

**Components of supervisory framework**

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.

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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

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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 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.

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.

Do stakeholders believe that the holistic balance sheet should be used as a risk management tool as part of pillar 2 requirements? Please explain.

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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.

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	<p>None of this requires any EU-wide legislative approach.</p>	
<p>Q74</p>	<p>Do stakeholders agree that the outcomes of a pillar 2 assessment should be publicly disclosed as part of pillar 3 requirements?</p> <p><i>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.</i></p> <p><i>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.</i></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>Q75</p>	<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><i>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</i></p>	

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*individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.*

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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.

Which of the two options for recognising non-legally enforceable sponsor support do stakeholders support? Please explain why you support this option.

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	<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>	
Q77	<p>Which of the two options for recognising pension protection schemes do stakeholders support? Please explain why you support this option.</p> <p><i>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.</i></p> <p><i>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.</i></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 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'.</p>	
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>	

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*Agreed.*

Which of the three options for recognising mixed benefits do stakeholders support? Please explain why you support this option.  
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Q79

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	<p>This is for individual Member States and their national competent authorities to determine, if they consider it appropriate.</p>	
<p>Q80</p>	<p>Which of the three options for recognising benefit reduction mechanisms do stakeholders support? Please explain why you support this option.</p> <p><i>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.</i></p> <p><i>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.</i></p> <p>This is for individual Member States and their national competent authorities to determine, if they consider it appropriate.</p>	
<p>Q81</p>	<p>Are there any additional options that stakeholders believe should be considered?</p> <p><i>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.</i></p> <p><i>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong -</i></p>	

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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><i>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.</i></p> <p><i>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.</i></p> <p>This is for individual Member States and their national competent authorities to determine, if they consider it appropriate.</p>	
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><i>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped</i></p>	

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*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?  
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Q84

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	<p><i>by any perceived benefit.</i></p> <p>This is for individual Member States and their national competent authorities to determine, if they consider it appropriate.</p>	
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><i>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.</i></p> <p><i>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.</i></p> <p>This is for individual Member States and their national competent authorities to determine, if they consider it appropriate.</p>	
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><i>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</i></p>	

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*This is for individual Member States and their national competent authorities to determine, if they consider it appropriate.*

*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.*

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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><i>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.</i></p> <p><i>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.</i></p> <p>This is for individual Member States and their national competent authorities to determine, if they consider it appropriate.</p>	
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><i>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</i></p>	

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*circumstances, they would be free to adopt this.*

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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 regime of the home State.

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.

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.

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.

Q90

Do stakeholders believe that there is scope for harmonising the recovery period regarding the level

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of technical provisions to be covered with financial assets on the EU level? Please explain.  
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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.

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.  
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	<p><i>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.</i></p> <p><i>This is for individual Member States and their national competent authorities to determine.</i></p>	
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><i>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.</i></p> <p><i>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.</i></p> <p><i>This is for individual Member States and their national competent authorities to determine.</i></p>	
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><i>Whilst we acknowledge that the work EIOPA has carried out to date on the HBS has helped</i></p>	

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*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.*

*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.*

No. This is for individual Member States and their national competent authorities to determine

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.

*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.*

*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.*

Q94

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	<p>This is for individual Member States and their national competent authorities to determine</p>	
<p>Q95</p>	<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><i>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.</i></p> <p><i>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.</i></p> <p>This is for individual Member States and their national competent authorities to determine</p>	
<p>Q96</p>	<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><i>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.</i></p> <p><i>We believe that seeking to harmonise supervisory practice across the EEA is conceptually wrong -</i></p>	

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*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.*

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.

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?  
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*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.*

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

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	<p>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>	
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><i>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.</i></p> <p><i>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.</i></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>	
Q99	<p><b>Analysis of examples of supervisory frameworks</b></p> <p>Do stakeholders have any general comments on (the description of) example 1?</p> <p><i>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</i></p>	

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*individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.*

*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.*

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.

Could example 1, in the view of stakeholders, be used for all IORPs in the EU?  
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*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.*

In theory, of course. But only with the consequence that it will kill off all defined benefit provision outside the public sector.

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	<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>	
Q101	<p>Do stakeholders have any general comments on (the description of) example 2? <i>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.</i></p> <p><i>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.</i></p> <p>It is a marked improvement on example 1.</p>	
Q102	<p>Could example 2, in the view of stakeholders, be used for all IORPs in the EU? <i>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.</i></p> <p><i>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</i></p>	

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	<p><i>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.</i></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>	
Q103	<p>Do stakeholders have any general comments on (the description of) example 3? <i>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.</i></p> <p><i>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.</i></p> <p>Yes – it is <b>unacceptable</b>.</p>	
Q104	<p>Could example 3, in the view of stakeholders, be used for all IORPs in the EU, taking into account national specificities? <i>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</i></p>	

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*individual Member State believes that using an HBS approach would be useful in their local circumstances, they would be free to adopt this.*

*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.*

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.

Do stakeholders have any general comments on (the description of) example 4?  
*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.*

*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.*

Q105

1. We are not in favour of example 4 from a UK perspective. The most any HBS should be used

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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. 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.
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.
4. We are not convinced that the perceived benefits of this example in terms providing

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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 now closed to new entrants and further accruals.

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.

Could example 4, in the view of stakeholders, be used for all IORPs in the EU?  
*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.*

*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.*

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

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many other EU Member States.

Do stakeholders have any general comments on (the description of) example 5?

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 inability under UK law to reduce accrued benefits, we do not consider this is a realistic option.
  
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.
  
4. We are not convinced that the perceived benefits of this example in terms providing

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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.

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.

Could example 5, in the view of stakeholders, be used for all IORPs in the EU?  
*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.*

*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.*

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

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many other EU Member States.

Do stakeholders have any general comments on (the description of) example 6?

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*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.*

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.
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

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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.

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.

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.

Could example 6, in the view of stakeholders, be used for all IORPs in the EU?  
*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.*

*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*

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*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.*

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.

**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?  
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*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.*

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

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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.