

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

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

Name of Company:	ZVK-Bau	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
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Reference	Comment	
General Comment	<p>Zusatzversorgungskasse des Baugewerbes AG (ZVK-Bau) thanks for the opportunity to answer to the Consultation on Further Work on Solvency of IORPs.</p> <p>ZVK-Bau is Germany's biggest pension fund in terms of members and beneficiaries. It is located in Wiesbaden, Germany, and a paritarian institution founded in 1957 by the trade union and the employers' organizations of the German construction industry. ZVK-Bau administers an industry-wide paritarian pension supplementary pension scheme for 510,000 construction workers employed in 54,700 companies and 386,000 beneficiaries based on collective agreements of general application (allgemeinverbindlich). Due to a new social contract starting in 2016 ZVK-Bau will serve 630,000 construction workers employed in 70,000 companies from that time onwards.</p>	

**Comments Template on
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**Deadline
13 January 2015
23:59 CET**

ZVK-Bau decided to formulate answers to specific questions, even if we disagree on the principles and the approach brought forward in the general structure of a Solvency II-shaped supervisory regime enriched by some IORP-specific modifications.

We regard this initiative of EIOPA even as counterproductive to the overarching pension policy laid down within COM's White Paper "An agenda for adequate, safe and sustainable pensions". Herein declared COM its desire to strengthen Pillar-2-pensions. This is in stark contrast to the events that are going to follow in the wake of a supervisory regime as it can be envisaged by the actual consultation. Even today there seems to be strong evidence that the sheer possibility of an HBS with a baseline that relies on Solvency II and especially that brings forward capital requirements based on market valuation etc influences market and investment behavior negatively like the ECB study revealed. Elaborating more intensively on the HBS we regard lesser sponsor willingness for defined benefit schemes almost as certain. This leaves beneficiaries with all the risks of a pension "promise" consisting of nothing but a contribution promise per month or per year.

To research on this kind of qualitative topics should be the foremost task of a consultation dealing with the HBS. We suggest that EIOPA should analyse the political implications of the intended supervisory regime and deliver findings on the following questions:

1. How will a supervisory system which relies heavily on quantitative modeling affect the willingness of IORP's sponsors to provide defined benefit pensions?
2. Would such a regime annihilate sponsors' willingness to provide Pillar 2 pensions completely or would it lead to a closure of defined benefit schemes and provision of defined contribution schemes?
3. Will the risk transfer from sponsors towards beneficiaries within defined contribution schemes affect the willingness of employees to participate in this kind of schemes? Would this

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

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

raise their risk of old age poverty?

After careful examination of these fundamental questions EIOPA should decide if a further work on solvency in form of an HBS really seems to be reasonable.

We fear that this consultation once again leads to biased results cause only big IORPs will participate due to strain on personal or financial resources (i.e. for external consultation). Smaller and medium-sized IORP usually refrain from participating. We suggest to analyse this thoroughly and draw the necessary conclusions like the missing representativeness of the answers.

Once again the actual consultation deals with an IORP model that is characterized by:

- funded schemes
- where every beneficiary has an identifiable account

Schemes where a multitude of employers share the responsibility to provide an industry-wide calculated pension based on collective equivalence – meaning that there are no individual accounts and the industry-wide contribution is set in a way to cover the industry-wide benefit – are far beyond the possibility to model within the suggested framework. Same is true for partly funded partly PAYG-financed schemes. Due to collective equivalence the contribution rates are assessed at least every three years to guarantee that the estimated financial requirements are met. The contribution rate serves as the most important steering mechanism of the scheme. Since ZVK-Bau contains all of the above mentioned peculiarities we find it hard to answer the questions correctly because lots of our security mechanisms, ways of planning, operating and controlling our business do not fit to the model in mind EIOPA.

To illustrate this, we would like to mention the sponsor support: especially paritarian IORPs whose schemes are based on collective bargaining agreements like ours provide a well-balanced security for scheme sponsors (the employers) as well as scheme beneficiaries. The pension promise itself, the conditions to gain a pension, the contribution rate, any raises of latter and even last resort benefit reductions are agreed during collective bargaining processes. They are fixed in the best

**Comments Template on
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**Deadline
13 January 2015
23:59 CET**

interest of sponsors and beneficiaries to provide a long-lasting equilibrium between productivity of the sponsors on one side and wage and fringe benefit justice for the beneficiaries on the other side. The powers to fix and – if needed due to cases of distress – adjust these conditions of the schemes stem from the collective bargaining powers of the social partners as laid down in national social and labour law. Therefore the degree of freedom to adjust scheme conditions, contribution rates and last resort benefit reductions is higher for paritarian IORPs than for IORPs that dispose only of a “normal” restructuring clause (last resort benefit adjustment) or “normal” sponsor support.

Within paritarian IORPs every raise of the contribution rate is part of this above mentioned equilibrium: the result of the almost yearly bargaining process between social partners is a package that consists of wage raises, pension funds contribution rates, working time, fringe benefits etc. So every raise of pension funds’ contribution is financed not only by the sponsoring enterprises but economically by all employees too because the latter abstain from getting possible wage raises or fringe benefit improvements or decide to raise productivity (by longer working hours for example). Sponsor support cannot be measured only against financial resources of a sponsoring company but has to acknowledge that – especially in industry-wide IORPs - employers and employees of the whole industry support the scheme. This works for a whole recovery period if necessary.

If thrown back to EIOPA’s baseline model we are obliged to calculate the value of sponsor support via ratings of the sponsors or – as a simplification – via the ratings of the biggest sponsors. Our IORP serves almost 55,000 (fiftyfive thousand) enterprises today (starting in 2016 the number will raise to 70,000) of which the biggest five only make up for around 5 % of the contribution rate and 92 % of the sponsoring enterprises have less than 20 employees. Therefore 92 % of the companies within our IORP neither calculate or publish financial data like EBITDA nor provide a rating opinion and hence we cannot deliver the data needs for calculating sponsor support. Does that mean that the beneficiaries are in any danger of sponsor support loss? On the contrary: Since the beginning of operations in 1958 ZVK-Bau coped with up to thousands of insolvent sponsors every year without any beneficiary denying his or her well-deserved pension. This works due to

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

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

	<p>inter-industrial solidarity and the abstinence of individual pension accounts. Therefore the legal framework and the construction of the IORP itself works as kind of a Pension Protection Scheme for all almost 55,000 enterprises within the construction sector of Western Germany.</p> <p>Regarding (strong) sponsor support as a “balancing item” (BIA) in combination with a easy to use model like PwC’s “M” approach seems to be a sensitive way to solve these data problems. But in case of funds that are only partly funded and are based collective equivalence even this concept only works in combination with the wage sum. Additionally we strongly suggest - in case the conceptionally wrong HBS is introduced at all despite all warnings – that confirmation of a strong sponsor, a multi-employer-scheme (MES) or existence of other security mechanism as balancing items should release IORPs from setting up a holistic balance sheet or Solvency II-like risk based solvency capital requirements.</p> <p>At last, we are concerned that market consistent accounting will introduce excessive volatility in our balance sheet. As mentioned before since the beginning of operations the most important steering mechanism was adjustment of the industry-wide contribution rate. Within the last 55 years the contribution rate was adjusted 25 times. It had an average of 1,36 % and a standard deviation of 0,64 %. With mark-to-market valuation of assets and liabilities we fear that the standard deviation will explode so that the contribution rate is impossible to predict for sponsors and therefore hampers their ability to plan their business operations. By this an ill-designed regulatory framework might affect normal business operations.</p>	
Q1	No. We think the triangular relationship between employer, employee and IORP prohibits the use of the word “contract”. This is especially the case of IORPs where the member has no individual choice to join but is enrolled automatically when joining the sponsoring company or one of the sponsoring companies in case of industry-wide-pension funds.	
Q2	No. In the case of relationships based on social contracts negotiated by social partners any “boundaries” are regularly negotiable not only for future service but even for past service. Therefore they are not as binding as insurance contracts. Limits are set by social and labour law mostly. They are interpreted by court decisions. Concerning “cash flows to be recognized in technical provisions” the much broader possibilities of social contracts should be recognizable.	

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

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

Q3	Due to the complicated matter we fear there is no short term available.	
Q4	Due to the triangular relationship of employer, employee and IORP of our fund which is based on social contracts and mostly regulated by social and labour law the “risks building up” are primarily defined by social partners. But social and labour law and prudential law as well as contractual law will have a strong influence. Therefore this section can only be answered on a case to case basis. The section seems to be incomplete.	
Q5	It might be the case that unilateral rights of an IORPs exist. If there are some they should be recognized on a case to case basis as mentioned before in our answer to Q4.	
Q6	We would like to hint at the possibility of schemes where a multitude of employers share the responsibility to provide an industry-wide calculated pension based on collective equivalence – meaning that there are no individual accounts and the industry-wide contribution is set in a way to cover the industry-wide benefit – that due to solidarity aspects individual rights may build up which are financed collectively.	
Q7	Apart from the overall unfitting concept of the HBS for our scheme the answer is yes, if the sponsor support related cash flows are paid without obligation e.g. for security reasons.	
Q8	Apart from the overall unfitting concept of the HBS for our scheme the answer is yes.	
Q9	Due to the scheme design these cases are not relevant to our scheme.	
Q10	No. As in our answer to Q 6 we would like to hint at the difference between individual and collective funding of solidarity elements of our scheme. But apart from any court decisions or changes in social and labour law that change the legal framework in which the IORP operates there are no such cases.	
Q11	No.	
Q12	We regard this section somewhat confusing and artificial. It does not reflect the situation of our scheme.	
Q13	Non-unconditional and pure or partly discretionary benefits (like bonuses or surplus participation rights) should not be recognized in technical provisions unless they are made unconditional by assignment.	

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

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

Q14	Apart from the overall unfitting concept of the HBS for our scheme we agree.	
Q15	We are unable to comment on that.	
Q16	We are unable to comment on that.	
Q17	As mentioned before (answer to Q4) we regard the definition as too simple for the complex triangular relationship embedded in a complex legal framework and subject to jurisdiction.	
Q18	See answer to Q17.	
Q19	Apart from the overall unfitting concept of the HBS for our scheme the answer is yes. As mentioned before (see answer to Q2) in the case of relationships based on social contracts social partners' rights much less restrictive than in private insurance contracts based on contractual law only. They are regularly negotiable not only for future service but even for past service. Limits are set by social and labour law mostly and they are subject to interpretation by court decisions.	
Q20	Apart from the overall unfitting concept of the HBS for our scheme the answer is yes.	
Q21	For IORPs which are financed using collective equivalence and have solidarity aspects the distinction within the definition is blurred.	
Q22	Further conditions - especially rights of the sponsors to modify contributions and accrued benefits - should be included to reflect the reality of many funds thoroughly.	
Q23	Might be. Unfortunately the examples given do not comprehend the existing forms of pension schemes and especially not the kind of scheme we administer.	
Q24	The definitions might be workable but seem unnecessary. We think that regarding benefits technical provisions of the IORP should only be calculated based on unconditional benefits and not subject to any discretionary decision-making processes at all. This might be different for discretionary decision regarding other HBS items like liabilities or sponsor support etc.	
Q25	No. As stated above in our answer to Q24 we regard the section as not necessary concerning benefits. The inclusion of these possible decisions introduces an element of uncertainty that does not help in judging the situation of the IORP and needs constant but unnecessary evaluation.	
Q26	No.	
Q27	No. We suggest not to recognize pure discretionary benefits at all. neither in a real nor in a holistic balance sheet of any kind.	

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

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

Q28	We do not see the necessity to recognize mixed benefits at all neither in a real nor in a holistic balance sheet of any kind.	
Q29	<p>Apart from the overall unfitting concept of the HBS for our scheme the answer is yes. It must be possible to use reliable support instruments if they are sufficient and necessary. This means that in general legally enforceable sponsor support will be of central importance as this constitutes a key characteristic of occupational pensions organised by the social partners.</p> <p>But in some cases even though there might be no legally enforceable sponsor support actually exists reliable sponsor support mechanisms should be part of the HBS (see also Q 65 and Q 76): Legally enforceable sponsor support is available for every employee against his/her own employer. But as a whole there might be no legally enforceable “last man standing principle” available in a sense that the industry is indebted to finance the benefits of every member on a collective basis. But although the scheme does not provide of a legally enforceable “last man standing principle” social partners as representatives of the sponsors act as if it was available. Thus we suggest that in these cases of a practical application of “last man standing” it should also be recognized as being at the disposition of the IORP if it can be shown from historical data that the collective funding of the scheme has been applied in the past reasonably often.</p>	
Q30	Apart from the overall unfitting concept of the HBS for our scheme the answer is yes.	
Q31	The first options seems to be be the much easier to calculate one.	
Q32	Apart from the overall unfitting concept of the HBS for our scheme we agree to value surplus funds with nominal value.	
Q33	Apart from the overall unfitting concept of the HBS for our scheme the answer is yes.	
Q34	Options 1 seems to be the preferable option, due to its simplicity.	
Q35	<p>Apart from the overall unfitting concept of the HBS for our scheme the answer is “Yes, but”. We underline that all kinds of benefit reduction mechanisms should be treated as a last resort item at any time. We agree with the conclusion that if a benefit reduction mechanism is available and not limited it generates the ultimate mechanism for the IORP’s sustainability and should be valued as balancing item.</p> <p>But we beleave that direct approach and balancing item approach could co-exist and would not</p>	

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

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

restrict the recognition of a benefit reduction mechanism to cases of unlimited reductions. Applying one or the other approach should be determined by the kind of benefit reduction available. We suggest to use a kind of direct approach that differs from the one provided within the consultation in cases of a “restricted” benefit reduction mechanism. If contract/bylaws or national law and other regulations allow for a benefit reduction but restrict that to a certain amount this mechanism should be recognized directly up to its legal or regulatory limits. There should be no use of probability or predictability based on past policies within this approach.

In case of an unlimited benefit reduction mechanism the balancing item approach should find application.

Additionally we do not agree with the approach of valuing all other items of a holistic balance sheet first before recognizing any benefit reduction mechanisms as mentioned in 4.91 last sentence.

It is an unnecessary and costly exercise to value all mechanisms and “assets” that qualify as balancing items on the holistic balance sheets if IORPs dispose of more than one. In Germany for example all IORPs dispose of two items, but not necessarily the same. Pensionsfonds and some form of Pensionskassen combine legally enforceable sponsor support with a pension protection scheme, another form of Pensionskassen combines legally enforceable sponsor support with an ex ante benefit reduction mechanism. Bringing the possible balancing items in line could on a high level work as follows:

1. Use legally enforceable sponsor support qualified to be recognized as balancing item.
2. If enforceable sponsor support is not sufficient, a pension protection scheme should be used.
3. Use benefit reduction mechanisms as balancing item.

Within the HBS it should be possible either to work through this list top down or to skip one or the other possible balancing item without valuing it thoroughly. If one mechanism proves to be qualified as balancing item no other valuation should be necessary. Example: legally enforceable

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

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

	<p>sponsor support is qualified as balancing item. End of valuation, even if there are a pension protection scheme and benefit reduction mechanisms available.</p> <p>As provided in our answers concerning sponsor support and pension protection schemes the consultation paper and therefore the whole HBS concept lacks convincing and workable answers concerning these two items of the HBS. This hampers the valuation process: either the valuation will be a very costly process or will be impossible to implement resp. will end in unconvincing results. To force IORPs to run through the whole valuation process although with a benefit reduction mechanism they provide of an enforceable and easy to calculating balancing item cannot be in the interest of members and beneficiaries.</p>	
Q36	<p>Apart from the overall unfitting concept of the HBS for our scheme the answer is yes. There is no other way to take all national and individual peculiarities into account.</p>	
Q37	<p>As mentioned before we doubt that for our fund (sponsored today by almost 55,000 and in the near future by 70,000 enterprises of which 92 % have less than 20 employees and therefore neither calculate or publish financial data like EBITDA nor provide a rating opinion) the value of sponsor support can be calculated individually. Therefore any concept that defines “market-consistent” via individual ratings of the sponsors or – as a simplification – via the ratings of the biggest sponsors will not work.</p>	
Q38	<p>No. See our answer to Q37.</p>	
Q39	<p>Apart from the overall unfitting concept of the HBS for our scheme we welcome regarding sponsor support as a balancing item. But only together with the “M concept” and the possibility to use total wages within this concept we agree that EIOPA might have found a way to circumvent all of the difficulties to calculate sponsor support of an industry-wide multi employer scheme like ours.</p>	
Q40	<p>Apart from the overall unfitting concept of the HBS for our scheme we regard within the “M concept” a total wages approach with the value of x2 to be reasonable because for paritarian IORPs based on collective equivalence sponsor support (in form of the contribution rate) is part of the bargaining process between social partners. It belongs to a package that consists of wage raises, pension funds contribution rates, working time, fringe benefits etc. So every raise of</p>	

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

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

	pension funds' contribution is financed not only by the sponsoring enterprises but economically by all employees too because the latter abstain from getting possible wage raises or fringe benefit improvements or decide to raise productivity (by longer working hours for example). Sponsor support cannot be measured only against financial resources of a sponsoring company but has to acknowledge that – especially in industry-wide IORPs - employers and employees of the whole industry support the scheme.	
Q41	That might be subject for further research.	
Q42	Apart from the overall unfitting concept of the HBS for our scheme “x2” seems appropriate.	
Q43	Apart from the overall unfitting concept of the HBS for our scheme the answer is yes.	
Q44	No. Allowance of benefit reductions should not hinder the recognition of pension protection schemes as balancing item especially if the pension protection scheme can be combined with other adjustment mechanisms (benefit reductions).	
Q45	No. The existence of a pension protection scheme does not need to be backed by minimum level of funding.	
Q46	Apart from the overall unfitting concept of the HBS for our scheme the answer is yes.	
Q47	If HBS despite all warnings becomes part of the regulatory framework for IORPs the research and guidance should be provided by the national supervisory agencies to guarantee the correct implementation within a principles based approach.	
Q48	No. Stochastic models should not be part of the regulatory framework at all.	
Q49	Apart from the overall unfitting concept of the HBS for our scheme we welcome all kinds of simplifications. Unfortunately for our scheme with 55,000 sponsors and the overwhelming problem of data the simplification is useless.	
Q50	Due to the repeatedly described problem of providing the data we regard further EIOPA efforts as futile.	
Q51	Apart from the overall unfitting concept of the HBS for our scheme we welcome all kinds of simplifications. Unfortunately for our scheme with 55,000 sponsors and the overwhelming problem of data the simplification is useless.	
Q52	Due to the repeatedly described problem of providing the data we further EIOPA efforts should concentrate on that issue. Maybe the use of macro-economic data or sampling could help.	

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

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

Q53	No. We do not believe that this approach is a suitable simplified method.	
Q54	No.	
Q55	Apart from the overall unfitting concept of the HBS for our scheme we welcome all kinds of simplifications. Unfortunately for our scheme with 55,000 sponsors of which 92 % have less than 10 employees and the overwhelming problem of data even the ASA is useless because it works on an individual assessment of each and every sponsor.	
Q56	No. At least not for industry-wide funds like ours.	
Q57	Apart from the overall unfitting concept of the HBS for our scheme the answer is yes.	
Q58	No. This should be done by the IORP vis-à-vis the supervisor.	
Q59	Apart from the overall unfitting concept of the HBS for our scheme we consider the “M-approach” in combination with total wages for the only possible solution of the data problem of our industry wide fund that is based on collective equivalence.	
Q60	We do not believe that the two approaches solve the problem of industry-wide schemes with tens of thousands of small and medium sized companies. The stakeholder feedback (4.207) provided much more useful input for solutions of that problem.	
Q61	Apart from the overall unfitting concept of the HBS for our scheme we consider linking the timing of sponsor support to the length of the recovery plan seems to be a workable compromise providing that this length encompasses at least the duration of the liabilities.	
Q62	As an industry-wide scheme we deal with the opposite situation. Therefore we refrain from commenting on that question.	
Q63	As an industry-wide scheme we deal with the opposite situation. Therefore we refrain from commenting on that question.	
Q64	Apart from the overall unfitting concept of the HBS for our scheme we consider only the simple PwC model (“M” approach) combined with using total wages of the sponsors to be an appropriate solution for assessing the sponsor support since we use the wage sum for calculating contributions and have no individual accounts for beneficiaries. All other approaches were tested during the IORP-QIS of 2012. Assessing sponsor strength by using financial reporting proved to be impossible with almost 55,000 sponsors of which 92% have	

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

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

	<p>less than 10 employees. The same held true concerning the simplification of a sample of the five largest sponsors because their officially published financial reporting contained not the necessary data.</p>	
<p>Q65</p>	<p>Apart from the overall unfitting concept of the HBS for our scheme we like to discuss a case that is relevant for some our industry wide fund and other German funds organized like ours: Legally enforceable sponsor support is available for every employee against his/her own employer. But as a whole there is no legally enforceable “last man standing principle” available in a sense that the industry is indebted to finance the benefits of every member on a collective basis. But although the scheme does not provide of a legally enforceable “last man standing principle” social partners as representatives of the sponsors act as if it was available.</p> <p>We suggest that in these cases of a practical application of “last man standing” it should also be recognized as being at the disposition of the IORP if it can be shown from historical data that the collective funding of the scheme has been applied in the past reasonably often. We regard this condition to be met if the sponsors or their representatives corresponded in 3 out of the last 4 times to the pattern. PwC also argues that additional factors should be taken into account when assessing the covenant (See Research Report on Options for assessing employer covenant and the holistic balance sheet commissioned by Institute and Faculty of Actuaries). Concerning the financial data (including wage sum) discussed above this would lead to the possibility to use industry wide indicators collected by national bureaus of statistic research in comparison to the possible amount of sponsor support needed to balance the HBS. Giving Member States the option to define rules for the recognition of different sets of indicators for sponsor strength or other national specificities could help to adjust the regulatory regime to national GAAP.</p> <p>In addition with respect to the use of the balancing item approach for valuing sponsor support we suggest that multi employer schemes with a large number (to be discussed) of employers, legally enforceable sponsor support and joint financing should automatically qualify for applying the balancing item approach without recurring to the strength of the individual sponsor (in addition to the listing in no. 4.4 of the consultation document). The rationale for this is that multiemployer schemes with a sufficient number of employers and joint financing could be seen as a means of the collective pooling of default risk of individual sponsors – in analogy to the suggestions of EIOPA regarding pension protection schemes in 4.248 of the consultation paper.</p>	

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

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

Q66	Apart from the overall unfitting concept of the HBS for our scheme we regard the approach as reasonable.	
Q67	As an industry-wide scheme for private for-profit companies we refrain from commenting on that question.	
Q68	As an industry-wide scheme for private for-profit companies we refrain from commenting on that question.	
Q69	<p>Apart from the overall unfitting concept of the HBS for our scheme we like to discuss a case that is relevant for our industry wide fund: in addition to the general pension protection scheme of Germany (PSV aG) industry wide funds that are based on collective equivalence might dispose of a built-in insolvency protection mechanism for sponsors. In Germany legally enforceable sponsor support is available for every employee against his/her own employer. But as a whole there is no legally enforceable “last man standing principle” available in a sense that in industry-wide funds every sponsor is indebted to finance the benefits of every member on a collective basis. But although the scheme does not provide of a legally enforceable “last man standing principle” social partners as representatives of the sponsors act as if it was available. This leads to the case that newly founded construction companies – that immediately become members/sponsors of our fund – take part in financing all existing accrued rights (liabilities). The employees of insolvent companies on the other hand maintain their accrued rights regardless of the sponsors’ solvency. We suggest that in these cases of a practical application of “last man standing” and therefore a de-facto-PPS it should also be recognized as being at the disposition of the IORP if can be shown from historical data that the collective funding of the scheme has been applied in the past reasonably often. We regard this condition to be met if the sponsors or their representatives corresponded in 3 out of the last 4 times to the pattern. PwC also argues that additional factors should be taken into account when assessing the covenant (See Research Report on Options for assessing employer covenant and the holistic balance sheet commissioned by Institute and Faculty of Actuaries).</p>	
Q70	In the cases discussed under Q69 only the indirect option is possible. In other cases both methods should be available.	
Q71	Yes.	

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

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

Q72	We strongly object any new EU capital/Funding requirements. The political and economic implications are devastating for DB plans and neither in the interests of members and beneficiaries or sponsors nor the economy as a whole. But if despite all warnings these requirements find their way into the prudential framework all security mechanism available have to be recognised.	
Q73	We cannot spot the additional value of an HBS on top of an Risk Evaluation for Pensions (REP) as is envisaged by the IORP-II-draft.	
Q74	No. The outcome of a one-in-two-hundred-year-event-calculation within a framework that needs very careful explanation is not in line with the limits of press releases.	
Q75	No. Supervisory authorities should not take action based on an arbitrary and porous framework like the HBS.	
Q76	<p>Within this unfitting concept we support the recognition of non-legally enforceable sponsor support in specific situations.</p> <p>Legally enforceable sponsor support may come in a form that is complicated to operate for sponsors. Therefore they may choose a form of sponsor support that is easy to perform for them and easy to assess for the IORP but not legally enforceable. For example to lift contributions or provide additional resources instead of making up for any shortfall of the IORP against members and beneficiaries individually.</p> <p>Additionally we would like to come back to the question of a “last man standing principle” as discussed above (Q 65): In these cases where a legally enforceable sponsor support is available for every employee against his/her own employer but as a whole there is no legally enforceable “last man standing principle” available in a sense that the industry is indebted to finance the benefits of every member on a collective basis and social partners as representatives of the sponsors act as if it was available we suggest that a practical application of “last man standing” in the past a collective funding of the scheme should also be recognized as being at the disposition of the IORP. Therefore we suggest to recognise all forms of non-legally enforceable sponsor support if can be shown from historical data that it has been provided reasonably often. We regard this condition to be met if the sponsors or their representatives corresponded in 3 out of the last 4 times to the pattern.</p>	

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

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

Q77	Apart from the overall unfitting concept of the HBS for our scheme we prefer option 1.	
Q78	Apart from the overall unfitting concept of the HBS for our scheme we agree.	
Q79	Apart from the overall unfitting concept of the HBS for our scheme we prefer option 2 and exclude mixed benefits from the HBS.	
Q80	Apart from the overall unfitting concept of the HBS for our scheme we prefer option 3 and include all benefit reductions on the HBS.	
Q81	We cannot think of any.	
Q82	Apart from the overall unfitting concept of the HBS for our scheme the answer is yes.	
Q83	Apart from the overall unfitting concept of the HBS for our scheme the answer is yes.	
Q84	Apart from the overall unfitting concept of the HBS for our scheme the answer is yes.	
Q85	Apart from the overall unfitting concept of the HBS for our scheme we prefer to use Level B best estimate of technical provisions due to the significant illiquidity premium that IORPs earn because of their long-term investments and very stable business case. Within a Level A concept this cannot be taken into account.	
Q86	We suggest to leave that decision to the MS.	
Q87	We strongly object against using Level A technical provisions for any case. This does not imply that we support using Level B for calculating an SCR since we find the very concept of an SCR unnecessary. But if the HBS concept despite all warnings will find its way in the regulatory framework Level B seems less disadvantage.	
Q88	We strongly object against using Level A technical provisions for any case. This does not imply that we support using Level B for calculating an SCR since we find the very concept of an SCR unnecessary. But if the HBS concept despite all warnings will find its way in the regulatory framework we suggest to leave that decision to the MS.	
Q89	Apart from the overall unfitting concept of the HBS for our scheme the answer is yes. This might add some of the necessary leeway to adjust to national specificities.	
Q90	No.	
Q91	Apart from the overall unfitting concept of the HBS for our scheme the answer is « long ». To illustrate this, we would like to explain the mechanism of sponsor support established for our	

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

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

	<p>fund: especially paritarian IORPs whose schemes are based on collective bargaining agreements like ours provide a well-balanced security for scheme sponsors (the employers) as well as scheme beneficiaries. The pension promise itself, the conditions to gain a pension, the contribution rate, any raises of latter and even last resort benefit reductions are agreed during collective bargaining processes. They are fixed in the best interest of sponsors and beneficiaries to provide a long-lasting equilibrium between productivity of the sponsors on one side and wage and fringe benefit justice for the beneficiaries on the other side. The powers to fix and – if needed due to cases of distress – adjust these conditions of the schemes stem from the collective bargaining powers of the social partners as laid down in national social and labour law.</p> <p>Within paritarian IORPs every raise of the contribution rate is part of this above mentioned equilibrium: the result of the almost yearly bargaining process between social partners is a package that consists of wage raises, pension funds contribution rates, working time, fringe benefits etc. So every raise of pension funds’ contribution is financed not only by the sponsoring enterprises but economically by all employees too because the latter abstain from getting possible wage raises or fringe benefit improvements or decide to raise productivity (by longer working hours for example). Sponsor support cannot be measured only against financial resources of a sponsoring company but has to acknowledge that – especially in industry-wide IORPs - employers and employees of the whole industry support the scheme. This works for an as long as needed recovery period if necessary.</p>	
Q92	As explained in our answer to Q91 the duration of the liabilities should be regarded as appropriate.	
Q93	No. Due to the lack of competition between IORPs we cannot see the necessity for an harmonisation.	
Q94	There is no reason against an extensive recovery period.	
Q95	Apart from the overall unfitting concept of the HBS for our scheme the we think that regardless of the IORP’s security and adjustment mechanisms the recovery period should match the duration of the liabilities. We consider this as « extensive ».	
Q96	Apart from the overall unfitting concept of the HBS for our scheme we support the idea of submitting a recovery plan. Specifying specific supervisory responses on EU level would	

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

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

	potentially hinder national supervisors to develop custom-made recovery plans together with the funds.	
Q97	<p>As described before on more than one occasion our fund is based on collective agreements and financed using collective equivalence (the contribution rate is calculated at least every three years to meet the liabilities of that time). The first peculiarity leads to much bigger leeway concerning past services than usual in private agreements the second allows the social partners to establish elements of solidarity which are financed by the collective of all construction companies.</p> <p>In Germany the way of providing an occupational pension is left to the decision of the employer. He could use an IORP or other way like book reserve schemes or pension insurance contracts for example. But pensions without a guarantee of any kind are not allowed in Germany therefore there are no pure DC schemes.</p> <p>Given the situation a Solvency-II-like regulatory framework with an HBS addition on top we assume that in very short time the political pressure will be overwhelming to allow pure DC schemes without any guarantees. As soon as the pure DC schemes will be allowed DB schemes that became very expensive for the sponsors due to the new regulatory standard will be closed. This will directly affect the funds that are based on collective equivalence because all newly established jobs (especially for young construction workers) will not contribute for financing the « old » scheme and the solidarity elements within. Sooner or later the scheme will have to cut benefits to stay sustainable.</p>	
Q98	As described in our answer to Q97 for schemes based on collective equivalence we do not see any mitigation techniques.	
Q99	Example 1 – more or less – looks like Solvency II. We repeatedly argued against there idea of using this regulatory framework for IORPs.	
Q100	No, never !	
Q101	In example 2 we miss important security items of IORPs.	
Q102	No.	
Q103	Example 3 causes significant cost due to capital charges and risk management overengineering.	
Q104	No.	
Q105	Apart from the overall unfitting concept of the HBS for our scheme we regard as being one of the	

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Consultation Paper on Further Work on Solvency of IORPs**

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

	lesser dangerous ones. But every concept that might lead to a capital charge and every concept that is costly to implement and difficult to communicate influences sponsor willingness negatively.	
Q106	No. Especially smaller and medium sized IORPs would definitely run in troubles.	
Q107	Once again a regulatory framework based on Level A technical provisions is an unfitting concept for IORPs. The model is complex and bureaucratic and misses important security items.	
Q108	Definitely not.	
Q109	Apart from the overall unfitting concept of the HBS for our scheme we regard to refrain from using a Solvency-II-like regulatory framework with an HBS add on and use the HBS as risk management tool only looks less damaging like the other examples at first look. But we doubt that this is in the best interest of members and beneficiaries because there is no additional value in comparison to the situation without an HBS.	
Q110	Without a cost benefit analyses which tests the additional value of an HBS calculation for all kinds of IORPs thoroughly we do not see how this example could be implemented without violating the very aim of supporting members, beneficiaries, sponsors and IORPs.	
Q111	Apart from the overall unfitting concept of the HBS for our scheme we consider most important that the existence and security of each and every balancing item might be « proven » in a qualitative way. Once the existence of a balancing items is proven to the satisfaction of the national supervisor the IORPs does not have to calculate an HBS anymore.	