

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

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

Name of Company:	vbm Association of the Bavarian Metal and Electrical Industry	
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"> ⇒ Do not change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇒ Leave the last column <u>empty</u>. ⇒ 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>. ⇒ Our IT tool does not allow processing of comments/responses which do not refer to the specific numbers below. <p>Please send the completed template, in Word Format, to CP-14-040@eiopa.europa.eu . Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the questions refers to Consultation Paper on Further Work on Solvency of IORPs.</p>		
Reference	Comment	
General Comment	<p>vbm, the Association of the Bavarian Metall an Electrical Industry, calls upon the European Commission and EIOPA to refrain from extending the requirements on solvency of IORPs. The HBS initiative is highly unlikely to foster more sustainable pension saving and provision. On the contrary, it would lead to a grave loss of efficiency for occupational pension schemes in Germany without any gain in security and stability. Such regulations would jeopardize not only the necessary expansion of occupational pension provision in Germany, but also the institutions that already exist – and all this at the expense of the employees and the pensioners.</p>	

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The application of further solvency requirements to institutions for occupational pension provision via a “Solvency II-like” approach using the Holistic Balance Sheet (HBS) methodology is objectively unnecessary and counterproductive.

It is objectively unnecessary because both the existing institutions for occupational pension provision in Germany and the corresponding entitlements of the claimants are already extensively regulated and secured by national regulatory law and financial supervision. In addition to the employers' subsidiary liability, the Mutual Pension Insurance Association (*Pensionssicherungsverein*) has an obligation to assume liabilities in the event of an employer's insolvency. These structures have proved themselves successfully even during the recent financial crisis.

Furthermore, the legal provisions regulating the insurance industry are not transferable to institutions for occupational pension provision because of a lack of comparability: the latter institutions do not offer financial services products and are therefore not in competition with other old-age pension products on the open market.

The application of new own-funds requirements would furthermore be counterproductive, as it would run contrary to the need to expand occupational pension schemes as a supplement to public pensions.

Further regulatory intentions of the European Commission and EIOPA would considerably increase the costs of occupational pension provision, costs that could only be financed by reducing the payments made to the beneficiaries or by increasing contributions by companies.

We also believe that, given the diversity of pension arrangements across the European Union, it is inappropriate to search for a single approach at EU-level. In line with the subsidiarity principle, a revision of the supervisory regime in the direction of a Holistic Balance Sheet (HBS), would not be appropriate and would even be highly damaging.

The prospect of further revision to the funding regime is creating considerable instability

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for employers. This climate of uncertainty, now stretching back over years, undermines employers' confidence in their ability to plan for the long-term and leads to employers revisiting their commitment to continuing to offer workplace pensions of the kind which would be affected. For these employers, they are concerned about the future impact on their investment plans for jobs, growth and capital infrastructure at a time when Europe is asking the same businesses to increase their level of investment.

Further, continuing uncertainty about the scale of revisions to the supervisory regime itself has the potential to have a significant detrimental impact upon wider economic activity in our sector and risks triggering changes in employer behavior as they anticipate a significant worsening of the regulatory environment. This is likely to negatively impact upon the provision of occupational pensions.

Consequently, and in summary, vbm is convinced that further reform of the supervisory and funding arrangements runs a real risk of creating an illusory 'pension security' only, as employers will be compelled to reconsider their commitment to workplace pensions affected by this consultation in light of the significant, adverse, financial consequences which they may ultimately face. Also, the financial impact on many companies could result in them ceasing to be profitable, risking reduced investment in jobs, skills and Research and Development, and even closure. The overall impact will be one of reduced overall employer investment in workplace pensions.

For all these reasons we ask EIOPA and the European Commission to refrain from further initiatives on Solvency of IORPs.

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