	Summary of Comments on EIOPA-CP-12/003: Draft Technical Specifications QIS of EIOPA's Advice on the Review of the IORP Directive: Consultation Paper Q1 – Q4	EIOPA-BOS-12/086 2 October 2012

EIOPA would like to thank OPSG; AbA; AEIP; AGV Chemie Rhineland-Palatinate; Akzo Nobel; ALSTOM Deutschland AG; ALSTOM Ltd; Alstom SA (Group); Aon Hewitt; Association of British Insurers; Association of Consulting Actuaries UK; Association of French Insurers (FFSA); Balfour Beatty plc; Barnett Waddingham LLP; BASF SE; BAVC; Bayer AG; Bayerischer Industrieverband Steine und Erden e.V.; BDA; BdS – Bundesverband der Systemgastronomie e.V.; BVPI-ABIP; BlackRock; Bosch Pensionsfonds AG; Bosch-Group; BT Group plc; BTPS Management Ltd; Deloitte; Deutsche Post DHL; Dexia Asset Management; EEF; EuroCommerce; EAPSPI; EFRP; European Private Equity & Venture Capital Association; Federation of the Dutch Pension Funds; Financial Reporting Council; German Institute of Pension Actuaries; GESAMTMETALL; Groupe Consultatif Actuariel Européen; Hundred Group of Finance Directors; IBM Deutschland Pensionsfonds AG; Institute and Faculty of Actuaries; Insurance Europe; KPMG LLP (UK); Mercer Ltd; National Association of Pension Funds (NAPF); National Grid; Pension Protection Fund, UK; Punter Southall; Railways Pension Trustee Company Limited (RPTCL); RWE Pensionsfonds AG; Tesco Plc; TOTAL, Towers Watson B.V.; Towers Watson GmbH; Towers Watson UK; Trades Union Congress; Universities Superannuation Scheme Limited; UVB; vbw; VhU; and Zusatzversorgungskasse des Baugewerbes AG.

The numbering of the paragraphs refers to Consultation Paper No. EIOPA-CP-12/003

No.	Name	Reference	Comment	Resolution
1.	OPSG	Q1.	No, the OPSG does not agree with the general set-up of the QIS exercise. This because of the following three reasons: 1) The QIS will not give all necessary insights for IORP II. 2) The representativeness of the QIS is insufficient for an IORP II proposal by the EC. 3) This exercise is very exhaustive.	Partially agreed. EIOPA agrees more QISs are needed Member state participation in the QIS is voluntary

			4) This QIS does not empathise with the "real life" of IORPs used as HR vehicles. 1) The QIS will not give all necessary insights for IORP II ☐ If this is the only QIS (on Lamfalussy Level 1) before the proposal of IORP II by the European Commission (as indicated by the European Commission), then not all relevant questions can be directed and clearly answered in one pass. To adequately capture the occupational pensions sector, EIOPA needs to request more information, on what is already a very complex QIS. Furthermore, insights from the Netherlands, where market consistent valuation is in use, suggest that the scope for subjectivity could lead to different interpretations by organisations, leading to different inputs, that are all market consistent. Numbers from the QIS are thus insecure and (very) dependent on assumptions (in calibrating the model etc.). ☐ There is the risk that IORPs will not have enough time to be – and certainly are at the moment not – sufficiently equipped to reply (leading to a limited number of replies). Focus of responses will be on the technical details and not on general concept and usability of HBS. ☐ The resources needed to run a QIS style solvency process will be very expensive to the majority of IORPs (proportionality). Therefore, those that participate will be a biased sample of large pension plans – those that can more readily absorb the cost. ☐ In the UK, pension plans only approach this level of analysis in their triennial reviews. Again running this (HBS)	Some areas of technical specifications have been simplified, other areas will be further developed There is not enough information at this stage to specify supervisory responses

			exercise on an annual or even quarterly basis will be very costly. 2) The representativeness of the QIS is insufficient for an IORP II proposal by the EC ☐ Only 8 out of 27 Member States will participate in the QIS. ☐ Municipal/Local Authorities pension schemes are not included, although these are significant providers of second pillar pension schemes. ☐ In some Member States the QIS will not be performed by IORPs, but by supervisory authorities using aggregate data (or done by actuarial firms on behalf of the supervisory authority). It is our opinion that EIOPA and the Commission will only receive a good indication of the real impact of the QIS on IORPs, when the QIS is performed by IORPs. The use of aggregated data makes the comparison between funds and countries meaningless. EIOPA will find it very difficult to gain an adequate overview of this project without being aware of the moving parts that lie beneath the data. ☐ If IORPs are unable participate in the QIS, they will not be able to respond (properly) to the qualitative questionnaire. It is the purpose of the qualitative questionnaire to obtain an assessment by the IORPs of the clarity of the technical specifications, the quality of inputs and results, the methodology of the QIS, the practicability of the calculations involved and the use of simplifications. In addition, IORPs will be invited to give a first impression of the outcomes of the QIS	

			and the potential policy reaction by the IORPs and other stakeholders. How can IORPs respond to these questions if they are excluded from running the QIS? 3) This exercise is very exhaustive ☐ The exercise is dependent on many – debatable – assumptions like stable correlations, normal curves, absence of tail-risk and the ability for analysts to accurately predict the future. ☐ The events of the last few years have shaken confidence in the underlying assumptions of the HBS. Indeed these model risks are not new; unfortunately they did not receive adequate consideration when Value at Risk (VaR) became a prudential tool for the banking and insurance sectors. Consequently we have concerns about the wisdom of using VaR as a supervisory tool for the pensions sector. 4) This QIS does not empathise with the “real life” of IORPs used as HR vehicles. The proposed technical specifications are heavily inspired by the Solvency II framework for insurance companies. The level of detail and complexity of the QIS is beyond the capabilities of most sponsoring companies and their IORPs. These IORPs will have difficulty in completing the questions and will be limited in their ability to comment properly.	

			If this QIS concept becomes the blueprint for a new supervisory regime for IORPs, then there is a significant risk that it will undermine the future motivation of sponsoring employers in the Member States to evaluate, to set up and to use IORPs in future. Improvement of the QIS The OPSG recommends more QISs and greater IORP representation across Europe, before the European Commission makes its Level 1 proposal. More QISs will lead to higher stakeholder involvement and a better understanding by IORPs, Commission, Parliament and supervisors on how to shape the revised IORP Directive. In addition, more information with respect to the characteristics of the technical provisions and the prudential framework will be necessary, for example the tiering of assets and liabilities and recovery periods. Some supplementary questions which EIOPA could ask are: ☐ What does a healthy pension fund look like? This is a three dimensional issue that includes assets, liabilities, sponsor /IORP health and the scheme's age profile. ☐ What percentage of all technical provisions are due in the next ten years? This should sub-divide the best estimate of liabilities between those falling between now and ten years and those due in more than 10 years – it provides some insight into the maturity profile. ☐ What suggestions do stakeholders have to link	

			supervisory actions with (changes in) the characteristics of the HBS? When and how should these be triggered? ☐ What views do stakeholders have on the length of recovery periods?	
2.	aba Arbeitsgemeinschaft für betriebliche Altersver	Q1.	No. The QIS is based on Solvency II with some modules added for sponsor support and pension protection schemes. No effort has been made to develop a solvency approach which reflects the true nature of IORPs, the benefits they provide and their role within society. In particular, capital requirements based on VAR, a one-year forecast period and market based parameters are completely inappropriate for institutions that have long-dated liabilities that cannot be called, have flexible funding backed by a sponsoring employer and are a critical provider of long-term capital both to the banking sector and to the real economy. Notwithstanding this, the QIS will be inadequate for EIOPA to assess the impact of the proposed regulations on IORPs and their members without specifying or providing an idea of the possible regulatory actions of a shortfall in the holistic balance sheet. As these actions can have an impact on the benefits provided by IORPs, the valuation of liabilities may well contain a high degree of error. The complexity of the exercise will overwhelm many IORPs who will not have the staff nor the financial resources to undertake the study. For many IORPs, the exercise would not be feasible without using consultants at a significant cost. Many smaller	Noted. Solvency II based approach follows from Commission's CfA There is not enough information at this stage to specify supervisory responses or proportionality rules IORPs will only be expected to calculate limited number of scenarios

			IORPs, therefore, will not participate with the result that EIOPA will receive an biased sample of responses. We have identified 972 scenarios (for one confidence level) that IORPs will be expected to compute. Many IORPs will not have inputs in the appropriate format. Given that EIOPA will only be publishing 3 "typical scenarios", the effort seems completely disproportionate. Given the similar complexity to Solvency II, we would expect the cost of the QIS and finally the implementation of an analogous IORP II regime would be very similar to the total Solvency II QIS/implementation cost for insurers. We, therefore, call on EIOPA to carry out a cost/benefit analysis prior to carrying out the QIS.	
3.	AEIP – The European Association of Paritarian Inst	Q1.	No, AEIP does not agree with the general set-up of the QIS exercise as put forward in the introduction. As already mentioned in the General Remarks, AEIP regrets that the timeframe allowed for responding to this consultation is so short and in the middle of the holiday season. A 6-weeks period seems completely inappropriate to tackle such a complex and technical document, which also contains original concepts and methodologies. This is even truer for small IORPs because most of the information and skills to exercise this QIS are not needed for planning, controlling or operating an IORP. Indeed,	Partially agreed. There is not enough information at this stage to specify supervisory responses and proportionality rules Resemblances with Solvency II follow from Commission's CfA Some areas of

			such a short timeframe hampers the representativeness of this consultation, forcing many stakeholders to refrain from participating and providing their opinion on extremely delicate issues like long term business expectations. If the current provisions contained in the proposed technical specifications will be used in the upcoming QIS, it will be a partial exercise. The QIS, as we understand it now, will indeed only focus on the implementation of the Holistic Balance Sheet and the calculation of the SCR and the MCR. Such a QIS would thus not provide insights and testing for other essential policy elements (i.e. tiering of assets, recovery periods and recovery plans and any other regulatory action and their impact on contributions and pensions). Moreover, since it is an incomplete exercise which will provide partial results, it appears the EC will not have enough information to design a new directive. Instead, more policy-related inputs would have been welcome in order to evaluate the impact of the tools proposed. As for the clarity of the technical specifications, AEIP finds that the calculations and methodologies proposed are too burdensome, too complex and often unclear (in particular for small IORPs), especially in the chapters related to the original items of the Holistic Balance Sheet. Indeed, almost half of the draft technical specifications text is a substantial copy-paste of the SCR and MCR modules from the Solvency II QIS5 exercise, while the crucial elements contained in the Holistic Balance Sheet chapter, like the valuation of steering mechanisms of IORPs or the link with social and labour law, need to be further	technical specifications have been simplified, other areas will be further developed EIOPA agrees more QISs are needed Possible use of Level B technical specification as well as derivation risk margin have been clarified Questionnaire will include questions on impact and potential policy reactions

			developed/clarified before running the actual QIS. It would be preferable at this stage to start with a simpler QIS and then progressively increase the complexity of the calculations in further QISs. AEIP also stresses that the methodology proposed within the draft technical specifications requires IORPs to make to too many assumptions. This gives room to "pseudo-security" and model risk and will eventually hamper the comparability of the results provided by each institution that will run the QIS. As for the Holistic Balance Sheet proposed, it does not appears clear why IORPs will be required to calculate either Level A and Level B technical provisions when only Level A TP are needed to calculate the risk margin and the SCR module. Concerning the risk margin we find no necessity to introduce such security mechanism within the regulatory model. The risk margin is considered to level out the additional burden on the capital's return expectations of shareholders if an IORP takes over the liabilities of another IORP in times of distress. Since in continental Europe there are no markets of that kind and since non-for-profit IORPs have no shareholders with capital return expectations calculating a risk margin delivers only an unnecessary additional buffer to be financed by the sponsor. The argument of the usefulness of any additional buffers does	

			not provide economic sense neither: to require sponsor undertakings to finance additional capital buffers would not only interfere with their business investments, i.e. R&D and machinery investments, hampering their productivity and financial results, but, on a larger scale, such impact might cause even greater concerns. Indeed the proposed rule would push IORPs to invest their money in an economically inefficient manner, with a preference (in the current sovereign bond crisis) for low interest rate bearing bonds. This might have a serious impact at EU level, making the EU2020 goals even more difficult to attain. But even if we would consider a risk margin as appropriate, we do question why it has to be calculated with a fixed element of 8%. In such a complex exercise as the proposed QIS, where every element has to be consistent with market values, it seems surprising fixed elements proposed are not justified. The same concept applies to the fixed inflation and salary growth assumptions. The Holistic Balance Sheet also introduces the risk of financial contamination between IORPs and employers. We thus invite the EIOPA to reflect if it is needed to evaluate the sponsor support with a hard figure rather than using it as closing element of the Holistic Balance Sheet. AEIP regrets that the QIS will not contain any qualitative chapter dedicated to the political impact of such provisions. Indeed, to implement the HBS and the quantitative requirements set out in the QIS will likely have a negative	

			impact on workplace pensions managed via European IORPs, with a risk that the provision of workplace pensions will decrease in Europe, which is the exact opposite of what the EC aims at in its White Paper on Pensions. AEIP therefore urges the EC to take enough time to investigate the social, macro - and micro – economic policy implications of an IORP II Directive before proceeding with the legislative process.	
4.	AGV Chemie Rhineland-Palatinate - Association of C	Q1.	No, we do not agree with the general set-up of the QIS exercise. This because of the following three reasons: 1) The QIS will not give all necessary insights for IORP II ☐ If this is the only QIS before the proposal of IORP II by the European Commission (as indicated by the European Commission), for sure not all relevant questions can be directed and clearly answered in one run. EIOPA should ask for even more information than it is already going to do in the complex QIS. ☐ There is the risk that IORPs will not have enough time to be – and certainly are at the moment not – sufficiently equipped to reply (leading to a limited number of replies). Focus of responses will be on the technical details and not on general concept and usability of holistic balance sheet. ☐ The resources needed to run a QIS style solvency process will be very expensive to the majority of IORPs (proportionality). Therefore, those that participate will be a biased sample of large pension plans – those that can easily absorb the cost.	Partially agreed. EIOPA considers more QISs are needed Member state participation in the QIS is voluntary Some areas of technical specifications have been simplified, other areas will be further developed IORPs are only expected to calculate limited number of scenarios

			2) The representativeness of the QIS is insufficient for an IORP II proposal by the EC: ☐ Only 8 out of 27 Member States will participate in the QIS. ☐ Municipal/Local Authorities pension schemes are not included, although these are significant providers of second pillar pension schemes. ☐ In some Member States the QIS will not be performed by IORPs, but by supervisory authorities which are using aggregated data (or it is done by actuarial firms on behalf of the supervisory authority). However, it is our opinion that EIOPA and the Commission can only have a good indication of the real impact when the QIS will be performed by IORPs (instead of hypothetical schemes). ☐ The use of aggregated data makes the comparison between funds and countries distorted and it will be very hard for EIOPA to have an adequate overview of the sensitivity to the assumptions. ☐ If IORPs will not participate in the QIS, they will also not be able to respond (properly) to the qualitative questionnaire, while it is the purpose of the qualitative questionnaire to obtain an assessment by the IORPs of the clarity of the technical specifications, the quality of inputs and results, the methodology of the QIS, the practicability of the calculations involved and the use of simplifications. In addition, IORPs will be invited to give a first impression of the outcomes of the QIS and the potential policy reaction by the IORPs and other	

			stakeholders. 3) This exercise is very exhaustive: ☐ The exercise is dependent on many – debatable – assumptions like stable correlations, normal curves, absence of tail-risk and the ability for analysts to accurately predict the future. ☐ The underlying principles of the Holistic Balance Sheet are based on full market valuation and a Value at Risk (VaR) methodology. However, based on the experiences over the last years, there are some second thoughts if this kind of models should be still applicable. ☐ We have identified 972 scenarios that IORPs will be expected to compute. Many will not have inputs in the appropriate format.	
8.	ALSTOM Deutschland AG	Q1.	Do stakeholders agree with the general setup of the QIS exercise as put forward in the Introduction (Chapter 1)? What improvements do stakeholders suggest? We would like to thank EIOPA for its thorough consultation exercise. However, rather than going into the details of how the QIS should be operated, we would like to make a number of general comments :	Noted. Resemblances with Solvency II follow from Commission's CfA EIOPA will reconsider HBS approach after the QIS

			☐ First of all, we cannot help noticing that a lot of the proposed technical specifications are heavily inspired from the Solvency 2 framework for insurance companies, even though the Commission had said the rules for IORPs would not be just cut and paste from Solvency 2. We obviously regret this back-tracking. ☐ Second, the level of detail in the consultation is well beyond the capabilities of most international companies who sponsor pension funds. This would probably have made sense in the financial sector where the relevant expertise is to be found. Again, this appears to show a desire to borrow from financial services regulations and apply them to pensions. Accordingly, we believe the technical specifications are designed in such a way that interested parties will not be able to comment properly. Finally and more importantly, we question whether any additional capital requirement for pension funds is required and thus whether the QIS will serve any purpose at all. We will focus our comments in this area. Indeed, we understand the motivations for instituting additional capital requirements borrowing from the Solvency 2 approach to be as follows : 1. Ensuring level-playing field with insurance companies We acknowledge some particular IORPs may be in the same situation as insurance companies offering pension services on	

			the competitive market. However, for the vast majority of IORPs, such as our company's pension fund, we believe this comparison with insurance companies is entirely inappropriate : our pension fund is not operating on the commercial market, it is not intended to make a profit. It is solely a human resource vehicle which is one component of a comprehensive package of benefits our company offers to its employees. As such, pension benefits afforded through our fund are the result of collective bargaining as part of broader labour considerations, they are not designed to compete with insurance companies. These arrangements will obviously change over time and they include important risk-sharing and risk-mitigating elements which make them very different from a private insurance contract: possibility to amend contributions paid by employees or employers, to amend benefits, to amend indexation, pension protection schemes etc. In addition, contrary to insurance companies operating various kinds of risk coverage, pension funds only cover one situation, the payment of pensions (no fire insurance, no car insurance etc). In this area, the need for capital outflow is more predictable, because the date of the occurrence is known in advance, i.e. when an employee reaches retirement age. Therefore, market-based and volatile risk measures, like Value at Risk, seem highly inappropriate for pension scheme monitoring. The Commission could usefully consider the models that have been developed recently in other OECD countries. The United States are a good example, which our company knows well as our local subsidiary holds significant defined benefit commitments. The Pension Protection Act (PPA) of2006, aims to	

			secure pension scheme funding. Yet its framework is neither derived from insurance regulation nor based on market-related risk measures. The PPA enhances funding requirements but allows pension schemes to use smoothed technical rates and smoothed asset value as a means to amortise market shocks and to keep a long-term view in pension management. Ideally, the Commission could also consider the different models already available within the Union and build up on this long experience together with the pension community instead of applying a Solvency II model that has not been designed for IORP in the first place. 2. Ensuring future sustainability of pensions We are not aware of any systemic risk weighing on pension payments. It seems to us that there already are mechanisms in place to ensure pensions are duly paid by pension funds or their sponsoring companies, such mechanisms vary from one country to the next but are in line with local pension practices. For instance, for defined benefit schemes, there is an unlimited last resort guarantee from the sponsoring employer (UK, Belgium, Germany) and sometimes also a national safety net sponsored by all pension schemes (UK, Germany). In addition, even assuming there was such an issue as systemic risk of pensions not being paid out, we do not see how a capital requirement would be helping towards resolution. In fact, the cure would be worth than the illness in this case : the more	

			money companies have to tie up to pay pensions, the more their financial viability will be threatened. We believe the best form of protection to member benefits is a strong, solvent employer and confidence between contributors. We believe the attempt to impose higher solvency requirements would weaken the sponsoring employer as a Solvency 2 type regime would unnecessarily increase pension liabilities and thus funding requirements, far in excess of the actual payments required to pay out pensions. This would indeed : ☐ Significantly increase employment costs in Europe for lots of employers, as well as employee contributions; ☐ Force employers to reduce benefits or even to stop providing occupational pensions, which contradicts the objective set in the White Paper to develop occupational pensions in Europe as a remedy to declining Social Security pension schemes; ☐ Force European companies to reduce value adding and job creating investments because of unnecessary contributions into pension solvency buffers, which are likely to be irrecoverable once all pensions will be paid; ☐ Impose a significant competitive disadvantage to European companies / employers in the absence of any comparable solvency regulation internationally; ☐ Force European pension funds, which are long-term investors to divest from equities and eventually also from corporate bonds, thus creating a financing issue for corporates in Europe.	

			Therefore, we strongly believe that the existing regulatory environments in our nations provide a strong framework to protect pension scheme members and pensioners. However, we are open to improve if necessary, some qualitative criteria to reinforce confidence of all stakeholders of the pension funds. 3. Facilitation of cross-border pension funds We understand the Commission would like to see more of those EU-wide pension funds. We believe those already exist in the form of a given company pooling resources together to fuel several different national funds. However, what does not exist is a pension fund operating across several countries where the level of defined benefit is the same for all those countries. While the Commission may consider this as desirable, this is not doable in a situation where tax & labour law is widely different from one EU member State to the next. Our company operates a compensation policy which is adjusted and differentiated in each of the EU countries where we operate, by virtue of the fact that market conditions are different, but more importantly that tax & labour law provisions are vastly different. Since we cannot possibly offer a harmonized package of benefits to our employees across the EU because of these differences, differentiated pension benefits follow the same logic. Thus, the lack of cross-border pension funds is not caused by	

			the absence of proper EU regulatory framework on pension funds, it is caused by fundamental disparities between the national labour markets. Further, even assuming EU regulation was required to foster cross-border pension funds, we do not see how imposing additional capital requirements would make cross-border funds any easier? Given the above considerations, we do not see that any additional capital requirement for pension funds is required, whether drawn from Solvency 2 or otherwise. The case for reform is not clear. Therefore, we do not think it is appropriate for our company to be offering views on the QIS, since ☐ the very purpose of the QIS and its underlying reform proposal is in doubt ☐ the template for comments is inappropriately drawn from the financial sector.	
9.	ALSTOM Ltd	Q1.	Do stakeholders agree with the general setup of the QIS exercise as put forward in the Introduction (Chapter 1)? What improvements do stakeholders suggest?	Noted. Resemblances with Solvency II follow from Commission's CfA EIOPA will reconsider HBS approach after the

			We would like to thank EIOPA for its thorough consultation exercise. However, rather than going into the details of how the QIS should be operated, we would like to make a number of general comments : ☐ First of all, we cannot help noticing that a lot of the proposed technical specifications are heavily inspired from the Solvency 2 framework for insurance companies, even though the Commission had said the rules for IORPs would not be just cut and paste from Solvency 2. We obviously regret this back-tracking. ☐ Second, the level of detail in the consultation is well beyond the capabilities of most international companies who sponsor pension funds. This would probably have made sense in the financial sector where the relevant expertise is to be found. Again, this appears to show a desire to borrow from financial services regulations and apply them to pensions. Accordingly, we believe the technical specifications are designed in such a way that interested parties will not be able to comment properly. Finally and more importantly, we question whether any additional capital requirement for pension funds is required and thus whether the QIS will serve any purpose at all. We will focus our comments in this area. Indeed, we understand the motivations for instituting additional capital requirements borrowing from the Solvency 2 approach to be as follows :	QIS

			1. Ensuring level-playing field with insurance companies We acknowledge some particular IORPs may be in the same situation as insurance companies offering pension services on the competitive market. However, for the vast majority of IORPs, such as our company's pension fund, we believe this comparison with insurance companies is entirely inappropriate : our pension fund is not operating on the commercial market, it is not intended to make a profit. It is solely a human resource vehicle which is one component of a comprehensive package of benefits our company offers to its employees. As such, pension benefits afforded through our fund are the result of collective bargaining as part of broader labour considerations, they are not designed to compete with insurance companies. These arrangements will obviously change over time and they include important risk-sharing and risk-mitigating elements which make them very different from a private insurance contract: possibility to amend contributions paid by employees or employers, to amend benefits, to amend indexation, pension protection schemes etc. In addition, contrary to insurance companies operating various kinds of risk coverage, pension funds only cover one situation, the payment of pensions (no fire insurance, no car insurance etc). In this area, the need for capital outflow is more predictable, because the date of the occurrence is known in advance, i.e. when an employee reaches retirement age. Therefore, market-based and volatile risk measures, like Value at Risk, seem highly inappropriate for pension scheme	

			monitoring. The Commission could usefully consider the models that have been developed recently in other OECD countries. The United States are a good example, which our company knows well as our local subsidiary holds significant defined benefit commitments. The Pension Protection Act (PPA) of2006, aims to secure pension scheme funding. Yet its framework is neither derived from insurance regulation nor based on market-related risk measures. The PPA enhances funding requirements but allows pension schemes to use smoothed technical rates and smoothed asset value as a means to amortise market shocks and to keep a long-term view in pension management. Ideally, the Commission could also consider the different models already available within the Union and build up on this long experience together with the pension community instead of applying a Solvency II model that has not been designed for IORP in the first place. 2. Ensuring future sustainability of pensions We are not aware of any systemic risk weighing on pension payments. It seems to us that there already are mechanisms in place to ensure pensions are duly paid by pension funds or their sponsoring companies, such mechanisms vary from one country to the next but are in line with local pension practices. For instance, for defined benefit schemes, there is an unlimited last resort guarantee from the sponsoring employer (UK, Belgium, Germany) and sometimes also a national safety net sponsored by all pension schemes (UK, Germany).	

			In addition, even assuming there was such an issue as systemic risk of pensions not being paid out, we do not see how a capital requirement would be helping towards resolution. In fact, the cure would be worth than the illness in this case : the more money companies have to tie up to pay pensions, the more their financial viability will be threatened. We believe the best form of protection to member benefits is a strong, solvent employer and confidence between contributors. We believe the attempt to impose higher solvency requirements would weaken the sponsoring employer as a Solvency 2 type regime would unnecessarily increase pension liabilities and thus funding requirements, far in excess of the actual payments required to pay out pensions. This would indeed : ☐ Significantly increase employment costs in Europe for lots of employers, as well as employee contributions; ☐ Force employers to reduce benefits or even to stop providing occupational pensions, which contradicts the objective set in the White Paper to develop occupational pensions in Europe as a remedy to declining Social Security pension schemes; ☐ Force European companies to reduce value adding and job creating investments because of unnecessary contributions into pension solvency buffers, which are likely to be irrecoverable once all pensions will be paid; ☐ Impose a significant competitive disadvantage to European companies / employers in the absence of any comparable solvency regulation internationally;	

			☐ Force European pension funds, which are long-term investors to divest from equities and eventually also from corporate bonds, thus creating a financing issue for corporates in Europe. Therefore, we strongly believe that the existing regulatory environments in our nations provide a strong framework to protect pension scheme members and pensioners. However, we are open to improve if necessary, some qualitative criteria to reinforce confidence of all stakeholders of the pension funds. 3. Facilitation of cross-border pension funds We understand the Commission would like to see more of those EU-wide pension funds. We believe those already exist in the form of a given company pooling resources together to fuel several different national funds. However, what does not exist is a pension fund operating across several countries where the level of defined benefit is the same for all those countries. While the Commission may consider this as desirable, this is not doable in a situation where tax & labour law is widely different from one EU member State to the next. Our company operates a compensation policy which is adjusted and differentiated in each of the EU countries where we operate, by virtue of the fact that market conditions are different, but more importantly that tax & labour law provisions are vastly different. Since we cannot possibly offer a harmonized package of benefits to our employees across the EU because of these differences,	

			differentiated pension benefits follow the same logic. Thus, the lack of cross-border pension funds is not caused by the absence of proper EU regulatory framework on pension funds, it is caused by fundamental disparities between the national labour markets. Further, even assuming EU regulation was required to foster cross-border pension funds, we do not see how imposing additional capital requirements would make cross-border funds any easier? Given the above considerations, we do not see that any additional capital requirement for pension funds is required, whether drawn from Solvency 2 or otherwise. The case for reform is not clear. Therefore, we do not think it is appropriate for our company to be offering views on the QIS, since ☐ the very purpose of the QIS and its underlying reform proposal is in doubt ☐ the template for comments is inappropriately drawn from the financial sector.	
10.	Alstom SA (Group)	Q1.	Do stakeholders agree with the general setup of the QIS exercise as put	Noted. Resemblances with

			forward in the Introduction (Chapter 1)? What improvements do stakeholders suggest? We would like to thank EIOPA for its thorough consultation exercise. However, rather than going into the details of how the QIS should be operated, we would like to make a number of general comments : ☐ First of all, we cannot help noticing that a lot of the proposed technical specifications are heavily inspired from the Solvency 2 framework for insurance companies, even though the Commission had said the rules for IORPs would not be just cut and paste from Solvency 2. We obviously regret this back-tracking. ☐ Second, the level of detail in the consultation is well beyond the capabilities of most international companies who sponsor pension funds. This would probably have made sense in the financial sector where the relevant expertise is to be found. Again, this appears to show a desire to borrow from financial services regulations and apply them to pensions. Accordingly, we believe the technical specifications are designed in such a way that interested parties will not be able to comment properly. Finally and more importantly, we question whether any additional capital requirement for pension funds is required and thus whether the QIS will serve any purpose at all. We will	Solvency II follow from Commission's CfA EIOPA will reconsider HBS approach after the QIS

			focus our comments in this area. Indeed, we understand the motivations for instituting additional capital requirements borrowing from the Solvency 2 approach to be as follows : 1. Ensuring level-playing field with insurance companies We acknowledge some particular IORPs may be in the same situation as insurance companies offering pension services on the competitive market. However, for the vast majority of IORPs, such as our company's pension fund, we believe this comparison with insurance companies is entirely inappropriate : our pension fund is not operating on the commercial market, it is not intended to make a profit. It is solely a human resource vehicle which is one component of a comprehensive package of benefits our company offers to its employees. As such, pension benefits afforded through our fund are the result of collective bargaining as part of broader labour considerations, they are not designed to compete with insurance companies. These arrangements will obviously change over time and they include important risk-sharing and risk-mitigating elements which make them very different from a private insurance contract: possibility to amend contributions paid by employees or employers, to amend benefits, to amend indexation, pension protection schemes etc. In addition, contrary to insurance companies operating various kinds of risk coverage, pension funds only cover one situation, the payment of pensions (no fire insurance, no car insurance etc). In this area, the need for capital outflow is more predictable, because the date of the occurrence is known in advance, i.e. when an employee reaches	

			retirement age. Therefore, market-based and volatile risk measures, like Value at Risk, seem highly inappropriate for pension scheme monitoring. The Commission could usefully consider the models that have been developed recently in other OECD countries. The United States are a good example, which our company knows well as our local subsidiary holds significant defined benefit commitments. The Pension Protection Act (PPA) of2006, aims to secure pension scheme funding. Yet its framework is neither derived from insurance regulation nor based on market-related risk measures. The PPA enhances funding requirements but allows pension schemes to use smoothed technical rates and smoothed asset value as a means to amortise market shocks and to keep a long-term view in pension management. Ideally, the Commission could also consider the different models already available within the Union and build up on this long experience together with the pension community instead of applying a Solvency II model that has not been designed for IORP in the first place. 2. Ensuring future sustainability of pensions We are not aware of any systemic risk weighing on pension payments. It seems to us that there already are mechanisms in place to ensure pensions are duly paid by pension funds or their sponsoring companies, such mechanisms vary from one country to the next but are in line with local pension practices. For	

			instance, for defined benefit schemes, there is an unlimited last resort guarantee from the sponsoring employer (UK, Belgium, Germany) and sometimes also a national safety net sponsored by all pension schemes (UK, Germany). In addition, even assuming there was such an issue as systemic risk of pensions not being paid out, we do not see how a capital requirement would be helping towards resolution. In fact, the cure would be worth than the illness in this case : the more money companies have to tie up to pay pensions, the more their financial viability will be threatened. We believe the best form of protection to member benefits is a strong, solvent employer and confidence between contributors. We believe the attempt to impose higher solvency requirements would weaken the sponsoring employer as a Solvency 2 type regime would unnecessarily increase pension liabilities and thus funding requirements, far in excess of the actual payments required to pay out pensions. This would indeed : ☐ Significantly increase employment costs in Europe for lots of employers, as well as employee contributions; ☐ Force employers to reduce benefits or even to stop providing occupational pensions, which contradicts the objective set in the White Paper to develop occupational pensions in Europe as a remedy to declining Social Security pension schemes; ☐ Force European companies to reduce value adding and job creating investments because of unnecessary contributions	

			into pension solvency buffers, which are likely to be irrecoverable once all pensions will be paid; ☐ Impose a significant competitive disadvantage to European companies / employers in the absence of any comparable solvency regulation internationally; ☐ Force European pension funds, which are long-term investors to divest from equities and eventually also from corporate bonds, thus creating a financing issue for corporates in Europe. Therefore, we strongly believe that the existing regulatory environments in our nations provide a strong framework to protect pension scheme members and pensioners. However, we are open to improve if necessary, some qualitative criteria to reinforce confidence of all stakeholders of the pension funds. 3. Facilitation of cross-border pension funds We understand the Commission would like to see more of those EU-wide pension funds. We believe those already exist in the form of a given company pooling resources together to fuel several different national funds. However, what does not exist is a pension fund operating across several countries where the level of defined benefit is the same for all those countries. While the Commission may consider this as desirable, this is not doable in a situation where tax & labour law is widely different from one EU member State to the next. Our company operates	

			a compensation policy which is adjusted and differentiated in each of the EU countries where we operate, by virtue of the fact that market conditions are different, but more importantly that tax & labour law provisions are vastly different. Since we cannot possibly offer a harmonized package of benefits to our employees across the EU because of these differences, differentiated pension benefits follow the same logic. Thus, the lack of cross-border pension funds is not caused by the absence of proper EU regulatory framework on pension funds, it is caused by fundamental disparities between the national labour markets. Further, even assuming EU regulation was required to foster cross-border pension funds, we do not see how imposing additional capital requirements would make cross-border funds any easier? Given the above considerations, we do not see that any additional capital requirement for pension funds is required, whether drawn from Solvency 2 or otherwise. The case for reform is not clear. Therefore, we do not think it is appropriate for our company to be offering views on the QIS, since ☐ the very purpose of the QIS and its underlying reform proposal is in doubt	

			☐ the template for comments is inappropriately drawn from the financial sector.	
11.	Aon Hewitt	Q1.	No. The limited QIS outlined will be of very limited use. A decision needs to be taken on how the results of these complex calculations might be used at the outset. It will only be possible to carry out a meaningful cost benefit analysis once this is decided. Fundamental questions have not been addressed - Will the model have any impact on scheme funding? If there is an impact will the target be Level B technical provisions, Level A technical provisions or technical provisions plus SCR, or something else? We understand that because of the number of options being looked at, which will generate vast tables of results, EIOPA intends to rely on information from national regulators aggregated across that country's IORPs. We believe this is a dangerous approach which will obscure the variation of results between the IORPs within that country. If the information is unmanageable otherwise, this just demonstrates that the proposed QIS is trying to do too much at once, and that insufficient thought has been given to the end objectives. In order to be able to gauge the impact of any potential new funding requirements, the QIS must be carried out at a level of granularity to enable some fundamental questions to be answered such as: (i) what proportion of IORPs in a country would be impacted? (ii) what is the range of impacts across the IORPs?	Noted. There is not enough information at this stage to specify supervisory responses EIOPA will only look at limited number of scenarios Grossing up to national level does not preclude distinguishing subgroups

			(iii) is there a bias towards large or small companies? (iv) what industries or sectors are most impacted? Aggregated data will simply obscure these fundamental details; at the least ,the type of breakdown set out in the UK Pension Regulator's Orange Books would be needed if any meaningful assessment of new proposals is to be carried out.	
12.	Association of British Insurers	Q1.	The ABI has significant reservations about the general set-up of the QIS exercise. The ABI accepts, as EIOPA has stated, that the QIS should be considered a work-in-progress. However, many uncertainties remain in the Solvency II framework and these must be finalized and embedded before testing their suitability for IORPs. For example, the extrapolation, the matching premium and the countercyclical premium which are particularly important in accounting for the long-term nature of IORP liabilities EIOPA states that the QIS is "designed to give a first impression of the impacts of the proposal", but the current timetable from the European Commission does not allow for further testing. The ABI believes that, given the uncertainty around Solvency II and the lack of suitability of Solvency II mechanisms for IORPs, further testing will be necessary.	Noted. EIOPA considers more QISs are needed There is not enough information at this stage to specify supervisory responses

			The QIS only covers the quantitative aspects of the IORP directive. It will be hard to draw the correct conclusions from the results of the QIS without understanding how this fits into the broader IORP framework. The lack of certainty around the length of recovery periods or regulatory actions on an IORP and its sponsor for a breach of SCR or MCR mean that it will be difficult to comment on the valuations of such mechanisms, and will make the results of the QIS difficult to interpret with any degree of certainty.	
13.	Association of Consulting Actuaries UK	Q1.	No – we believe that the QIS is fundamentally flawed in not making an assessment of the capital requirements (asking for advice on individual building blocks of a structure without dealing with what the building itself would look like). The proposed calculations are far too complex for any but the largest IORPs to perform efficiently.	Noted.
14.	Association of French Insurers (FFSA)	Q1.	FFSA sees the QIS as an important step towards an adequate prudent solvency regime for IORP. We recommend testing multiple options with regard to the adjustment mechanisms and the security mechanisms. By doing so, EIOPA will be able to adequately measure the consequences of the introduction of the HBS and still making sure that there would be a real level playing field between stakeholders in different Member States. FFSA also welcomes this QIS to test some of the measures for long term guarantee products currently discussed at the council and European parliament. FFSA understands that the draft specifications in this document have been developed by making use of the latest technical specifications for Solvency II. However, considering the on-going discussions at council and European parliament level, FFSA is supportive of the inclusion	Noted. QIS is restricted to IORPs and insurers applying Art. 4, as requested by the Commission

			of the latest specifications in the QIS, especially since latest changes might have a big impact on products offering long term guarantees, including occupational pension products. FFSA confirms that France will be interested in participating to the QIS. We'd like to test regimes applying IORP directive in accordance with Article 4 and to test also occupational pensions that potentially could apply Article 4. Those plans are very sensitive to the high volatility introduced by the market consistency principle and can't manage their risks with such an erratic solvency ratio.	
15.	Balfour Beatty plc	Q1.	Do stakeholders agree with the general set-up of the QIS exercise as put forward in the Introduction (Chapter 1)? What improvements do stakeholders suggest? Our general comments above raise a number of concerns about the general scope and set-up of the QIS. In particular, we cannot conclude that the QIS specification is 'fit for purpose' without clarity about the regulatory actions that would accompany any change to the solvency regime for IORPs. What will the consequence be if the HBS does not balance (ie assets do not cover liabilities, taking into account all security mechanisms)? UK IORPs cannot raise additional capital other than from sponsor support, which would not improve the HBS. Unless there are positive actions that can flow from consideration of the HBS, without adverse consequences for jobs, growth and investment markets, then we do not see the merit in imposing a complex and costly regulatory regime. The proposed calculations are very complex, with multiple iterations such as calculating the SCR three times: gross, net of the loss-absorbing capacity of security mechanisms, and net of	Noted. There is not enough information at this stage to specify supervisory responses Aim of QIS is also to study practicability of calculations

			the loss-absorbing capacity of technical provisions. It is unlikely that many IORPs will have the ability or resource to carry out the QIS process sufficiently accurately to adequately inform responses to this consultation. We also doubt that many (if any) IORPs will currently have data to the required level of detail to be able to carry out these calculations. It follows that supervisory authorities will also lack these detailed data.	
16.	Barnett Waddingham LLP	Q1.	We consider that the QIS exercise will not address fundamental questions of policy, such as the impact on capital requirements for IORPs. We are concerned that attention is being given to in-depth technical specifications without consideration of the big picture – the practical impact on IORPs. The QIS exercise as drafted simply asks the wrong questions. The impact of higher-level options should be considered first, then employing an iterative process to examine the details. A single QIS as drafted will be insufficient and produce meaningless results. As noted in our general comment, we still hold the opinion that EIOPA and the European Commission need to present a stronger case for change.	Noted.
17.	BASF SE	Q1.	Do stakeholders agree with the general set-up of the QIS exercise as put forward in the Introduction (Chapter 1)? What improvements do stakeholders suggest? We disagree with the general set-up of the QIS exercise for the following reasons:	Partially agreed. Solvency II based approach follows from Commission's CfA EIOPO will reconsider HBS approach after the QIS

			☐ The methodology for IORP-QIS fully adopts the methodology of Solvency II. The Technical Standards for IORPs are largely just "copy/paste" from the Technical Specifications for QIS 5 which has been prepared for insurance companies. Risk-based capital requirements under Solvency II rely on short-term market based parameters and are therefore inherently volatile as well as pro-cyclical and will endanger the stability and long-term sustainability of IORPs. Furthermore, the underlying principles of Solvency II and consequently the Holistic Balance Sheet are based on full market valuation and a Value at Risk (VaR) methodology. The experience over the last years shows that there are some second thoughts – by both scientist and practitioners – if this kind of models should be still applicable. ☐ The valuation for technical provisions on a market-consistent basis does not fit the business model of IORPs, whose pension promises are untradable, neither by the IORP-members, who are generally unable to surrender or cancel their promises, nor by other market participants, since IORPs are not selling promises to other insurers, in whole or in part. Transfers of individual contracts or small portfolios are the exception not the rule, and are subject to review in each individual case by the national supervisory authority, a review which extends to the IORP's ability to meet its obligations and the impact on existing contracts. Considering that there is no "market" for pension contracts held by IORPs, any valuation of those contracts based on the fair value method would be, at least initially, a purely artificial exercise with no practical relevance. Because of the limited tradability described above, pension promises are held by IORP-members to the end of the duration	EIOPA agrees more QISs are needed

			("held to maturity"). Considering any accounting standard, assets with similar characteristics (loans) are not measured based on (volatile) fair value. Hence, IORPs should also be measured in accordance with the inherent logic of their technical business plan. ☐ EIOPA should not stick to the Solvency II approach and rather examine alternatives to the HBS such as Asset Liability Management Studies or stress tests. ☐ Supervisors and IORPs have up to now no or at least very limited experience with the concept and the valuation of the HBS. The technical specifications are too complex for a first QIS and will overburden most IORPs, leading them not to take part in the QIS. This is especially the case, since the time schedule of the consultation and the QIS are too tight. The stakeholders need more time in order to adequately comment on the technical standards. If there will be only one QIS as scheduled by the Commission, then definitely not all relevant questions can be addressed and answered. Due to the high complexity, the costs required to run such a complex QIS will be very high. We believe that EIOPA should start with a very simple first QIS focussing on those variables that will explain 80% of the impact (e.g., interest rate). Analysing these results would clearly prove that the methodology of Solvency II and the HBS does not fit the business model of IORPs.	
18.	BAVC (German Federation of Chemical Employers)	Q1.	No, we do not agree with the general set-up of the QIS exercise. This because of the following three reasons:	Partially agreed. EIOPA considers more QISs are needed

			1) The QIS will not give all necessary insights for IORP II ☐ If this is the only QIS before the proposal of IORP II by the European Commission (as indicated by the European Commission), for sure not all relevant questions can be directed and clearly answered in one run. EIOPA should ask for even more information than it is already going to do in the complex QIS. ☐ There is the risk that IORPs will not have enough time to be – and certainly are at the moment not – sufficiently equipped to reply (leading to a limited number of replies). Focus of responses will be on the technical details and not on general concept and usability of holistic balance sheet. ☐ The resources needed to run a QIS style solvency process will be very expensive to the majority of IORPs (proportionality). Therefore, those that participate will be a biased sample of large pension plans – those that can easily absorb the cost. 2) The representativeness of the QIS is insufficient for an IORP II proposal by the EC: ☐ Only 8 out of 27 Member States will participate in the QIS. ☐ Municipal/Local Authorities pension schemes are not included, although these are significant providers of second pillar pension schemes. ☐ In some Member States the QIS will not be performed by IORPs, but by supervisory authorities which are using	Member state participation in the QIS is voluntary Some areas of technical specifications have been simplified, other areas will be further developed IORPs are only expected to calculate limited number of scenarios

			aggregated data (or it is done by actuarial firms on behalf of the supervisory authority). However, it is our opinion that EIOPA and the Commission can only have a good indication of the real impact when the QIS will be performed by IORPs (instead of hypothetical schemes). ☐ The use of aggregated data makes the comparison between funds and countries distorted and it will be very hard for EIOPA to have an adequate overview of the sensitivity to the assumptions. ☐ If IORPs will not participate in the QIS, they will also not be able to respond (properly) to the qualitative questionnaire, while it is the purpose of the qualitative questionnaire to obtain an assessment by the IORPs of the clarity of the technical specifications, the quality of inputs and results, the methodology of the QIS, the practicability of the calculations involved and the use of simplifications. In addition, IORPs will be invited to give a first impression of the outcomes of the QIS and the potential policy reaction by the IORPs and other stakeholders. 3) This exercise is very exhaustive: ☐ The exercise is dependent on many – debatable – assumptions like stable correlations, normal curves, absence of tail-risk and the ability for analysts to accurately predict the future. ☐ The underlying principles of the Holistic Balance Sheet are based on full market valuation and a Value at Risk (VaR) methodology. However, based on the experiences over the last	

			years, there are some second thoughts if this kind of models should be still applicable. ☐ We have identified 972 scenarios that IORPs will be expected to compute. Many will not have inputs in the appropriate format.	
19.	Bayer AG	Q1.	No, we think the whole approach is inappropriate, will endanger the whole landscape of occupational pensions and will result in less security of employees and beneficiaries compared to today (please see also: General Remarks above). Since this whole issue has to be rethought, improvements regarding single details cannot be suggested.	Noted.
20.	Bayerischer Industrieverband Steine und Erden e.V.	Q1.	No, we do not agree with the general set-up of the QIS exercise. This because of the following three reasons: 1) The QIS will not give all necessary insights for IORP II ☐ If this is the only QIS before the proposal of IORP II by the European Commission (as indicated by the European Commission), for sure not all relevant questions can be directed and clearly answered in one run. EIOPA should ask for even more information than it is already going to do in the complex QIS. ☐ There is the risk that IORPs will not have enough time to be – and certainly are at the moment not – sufficiently equipped to reply (leading to a limited number of replies). Focus of responses will be on the technical details and not on general concept and usability of holistic balance sheet.	Partially agreed. EIOPA considers more QISs are needed Member state participation in the QIS is voluntary Some areas of technical specifications have been simplified, other areas will be further developed IORPs are only expected to calculate limited number of scenarios

			☐ The resources needed to run a QIS style solvency process will be very expensive to the majority of IORPs (proportionality). Therefore, those that participate will be a biased sample of large pension plans – those that can easily absorb the cost. 2) The representativeness of the QIS is insufficient for an IORP II proposal by the EC: ☐ Only 8 out of 27 Member States will participate in the QIS. ☐ Municipal/Local Authorities pension schemes are not included, although these are significant providers of second pillar pension schemes. ☐ In some Member States the QIS will not be performed by IORPs, but by supervisory authorities which are using aggregated data (or it is done by actuarial firms on behalf of the supervisory authority). However, it is our opinion that EIOPA and the Commission can only have a good indication of the real impact when the QIS will be performed by IORPs (instead of hypothetical schemes). ☐ The use of aggregated data makes the comparison between funds and countries distorted and it will be very hard for EIOPA to have an adequate overview of the sensitivity to the assumptions. ☐ If IORPs will not participate in the QIS, they will also not be able to respond (properly) to the qualitative questionnaire, while it is the purpose of the qualitative questionnaire to obtain	

			an assessment by the IORPs of the clarity of the technical specifications, the quality of inputs and results, the methodology of the QIS, the practicability of the calculations involved and the use of simplifications. In addition, IORPs will be invited to give a first impression of the outcomes of the QIS and the potential policy reaction by the IORPs and other stakeholders. 3) This exercise is very exhaustive: ☐ The exercise is dependent on many – debatable – assumptions like stable correlations, normal curves, absence of tail-risk and the ability for analysts to accurately predict the future. ☐ The underlying principles of the Holistic Balance Sheet are based on full market valuation and a Value at Risk (VaR) methodology. However, based on the experiences over the last years, there are some second thoughts if this kind of models should be still applicable. ☐ We have identified 972 scenarios that IORPs will be expected to compute. Many will not have inputs in the appropriate format.	
21.	BDA Bundesvereinigung der Deutschen Arbeitgeberver	Q1.	No, we do not agree with the general set-up of the QIS exercise. This because of the following three reasons: 1) The QIS will not give all necessary insights for IORP II	Partially agreed. EIOPA considers more QISs are needed Member state participation in the QIS

			☐ If this is the only QIS before the proposal of IORP II by the European Commission (as indicated by the European Commission), for sure not all relevant questions can be directed and clearly answered in one run. EIOPA should ask for even more information than it is already going to do in the complex QIS. ☐ There is the risk that IORPs will not have enough time to be – and certainly are at the moment not – sufficiently equipped to reply (leading to a limited number of replies). Focus of responses will be on the technical details and not on general concept and usability of holistic balance sheet. ☐ The resources needed to run a QIS style solvency process will be very expensive to the majority of IORPs (proportionality). Therefore, those that participate will be a biased sample of large pension plans – those that can easily absorb the cost. 2) The representativeness of the QIS is insufficient for an IORP II proposal by the EC: ☐ Only 8 out of 27 Member States will participate in the QIS. ☐ Municipal/Local Authorities pension schemes are not included, although these are significant providers of second pillar pension schemes. ☐ In some Member States the QIS will not be performed by IORPs, but by supervisory authorities which are using aggregated data (or it is done by actuarial firms on behalf of	is voluntary Some areas of technical specifications have been simplified, other areas will be further developed IORPs are only expected to calculate limited number of scenarios

			the supervisory authority). However, it is our opinion that EIOPA and the Commission can only have a good indication of the real impact when the QIS will be performed by IORPs (instead of hypothetical schemes). ☐ The use of aggregated data makes the comparison between funds and countries distorted and it will be very hard for EIOPA to have an adequate overview of the sensitivity to the assumptions. ☐ If IORPs will not participate in the QIS, they will also not be able to respond (properly) to the qualitative questionnaire, while it is the purpose of the qualitative questionnaire to obtain an assessment by the IORPs of the clarity of the technical specifications, the quality of inputs and results, the methodology of the QIS, the practicability of the calculations involved and the use of simplifications. In addition, IORPs will be invited to give a first impression of the outcomes of the QIS and the potential policy reaction by the IORPs and other stakeholders. 3) This exercise is very exhaustive: ☐ The exercise is dependent on many – debatable – assumptions like stable correlations, normal curves, absence of tail-risk and the ability for analysts to accurately predict the future. ☐ The underlying principles of the Holistic Balance Sheet are based on full market valuation and a Value at Risk (VaR) methodology. However, based on the experiences over the last years, there are some second thoughts if this kind of models	

			should be still applicable. ☐ We have identified 972 scenarios that IORPs will be expected to compute. Many will not have inputs in the appropriate format.	
22.	BdS – Bundesverband der Systemgastronomie e.V.	Q1.	No, we do not agree with the general set-up of the QIS exercise. This because of the following three reasons: 1) The QIS will not give all necessary insights for IORP II ☐ If this is the only QIS before the proposal of IORP II by the European Commission (as indicated by the European Commission), for sure not all relevant questions can be directed and clearly answered in one run. EIOPA should ask for even more information than it is already going to do in the complex QIS. ☐ There is the risk that IORPs will not have enough time to be – and certainly are at the moment not – sufficiently equipped to reply (leading to a limited number of replies). Focus of responses will be on the technical details and not on general concept and usability of holistic balance sheet. ☐ The resources needed to run a QIS style solvency process will be very expensive to the majority of IORPs (proportionality). Therefore, those that participate will be a biased sample of large pension plans – those that can easily absorb the cost.	Partially agreed. EIOPA considers more QISs are needed Member state participation in the QIS is voluntary Some areas of technical specifications have been simplified, other areas will be further developed IORPs are only expected to calculate limited number of scenarios

			2) The representativeness of the QIS is insufficient for an IORP II proposal by the EC: ☐ Only 8 out of 27 Member States will participate in the QIS. ☐ Municipal/Local Authorities pension schemes are not included, although these are significant providers of second pillar pension schemes. ☐ In some Member States the QIS will not be performed by IORPs, but by supervisory authorities which are using aggregated data (or it is done by actuarial firms on behalf of the supervisory authority). However, it is our opinion that EIOPA and the Commission can only have a good indication of the real impact when the QIS will be performed by IORPs (instead of hypothetical schemes). ☐ The use of aggregated data makes the comparison between funds and countries distorted and it will be very hard for EIOPA to have an adequate overview of the sensitivity to the assumptions. ☐ If IORPs will not participate in the QIS, they will also not be able to respond (properly) to the qualitative questionnaire, while it is the purpose of the qualitative questionnaire to obtain an assessment by the IORPs of the clarity of the technical specifications, the quality of inputs and results, the methodology of the QIS, the practicability of the calculations involved and the use of simplifications. In addition, IORPs will be invited to give a first impression of the outcomes of the QIS and the potential policy reaction by the IORPs and other stakeholders.	

			3) This exercise is very exhaustive: ☐ The exercise is dependent on many – debatable – assumptions like stable correlations, normal curves, absence of tail-risk and the ability for analysts to accurately predict the future. ☐ The underlying principles of the Holistic Balance Sheet are based on full market valuation and a Value at Risk (VaR) methodology. However, based on the experiences over the last years, there are some second thoughts if this kind of models should be still applicable. ☐ We have identified 972 scenarios that IORPs will be expected to compute. Many will not have inputs in the appropriate format.	
23.	Belgian Association of Pension Institutions (BVPI-	Q1.	No. We regret the timeframe we get to give feedback on these very complex topics. Even in the condition where all knowledge, experience and resources would be available, it would be hard to get the answers together before 31 July 2012. The setup of the QIS by Q4 2012 faces the same problems. We do not understand why the project is pushed in such a hurry. Next to this we regret that there will be only one QIS, beceause in our view this QIS is too complicated for a first impact study	Partially agreed. EIOPA agrees more QISs are needed Solvency II based approach follows from Commission's CfA IORPs may implement dynamic investment strategies ex post, i.e. in case of non-compliance with SCR

			and not detailed enough to be a final study. It is not desirable that this QIS will be the only QIS (on Lamfalussy Level 1) before a proposal for a IORP II, because not all relevant questions can be directed and clearly answered in only one study. EIOPA should ask for even more information than it is already done in the QIS as it is proposed now. Therefore we call for carrying out the number of quantitative impact studies that is needed in order to come up with a sound and flexible framework. We do not agree with some of the basic principles, being: The principles of capital requirements o We consider that pension fund supervision should be risk based regulation (as already in place in Belgium and different other EU countries), but we disagree that the Solvency II framework is a good source of inspiration. o We are convinced that it is possible to adopt risk-based regulation without the necessity to impose risk-based capital requirements, and we do not agree that capital requirements are a good starting point for a pension fund regulation. Solvency II framework is developed for companies with shareholder capital at their disposal, pension funds generally do -due to their not-for-profit structure- not have a similar structure. o We regret the proposed framework doesn't taken into account risk mitigating effects of e.g. ☐ Dynamic portfolio strategies (whether or not explicit in	IORP can raise additional capital or de-risk Derivation of risk margin has been explained

			the investment strategy of investment funds or implicit through management actions) where pension funds might invest in more risk-baring assets when their coverage ratio is good (and less when it is bad). The proposed framework would automatically imply higher Solvency Requirements as soon as the risk baring assets would grow, even if coverage ratios are excellent …. It is certainly strange to take into account the effect of management actions on the liability side but not on the asset side while they can both be viable options for the management of a pension fund ☐ Low volatility strategies (minimum variance, …) used to lower the risk of equity investment, stop loss and other ☐ The holistic balance sheet (HBS) o The HBS will reflect the solvency of a benefit plan organized via an IORP taking into account a risk approach and making use of some stress scenarios. As such it will translate the relationship between the sponsor and the IORP in an amount of capital figure. We fear this figure will not only be used from a prudential perspective (as a risk measure) but will be considered as a mere objective capital requirement for the IORP and consequently as a recognized liability on the balance sheet of the sponsor. This will cause "contamination" between the regulatory framework of IORP's and the company's code and management of companies o The valuation of a substantial number of elements as well as their interaction on the balance sheet is very complex, making use of many assumptions and interpretations, to such an extent that the impact of the level of detail of the calculations is offset. Stylized and simplified mathematical and	

			financial methodologies will end in a valuation that is oversimplified in view of its objective, and thus simply will lead to a nuance less assessment that is already very hard to understand, to interpret and to compare correctly. Real life financial and mathematical processes are so complex that they simply cannot be used for general application in these frameworks, so regulators tend to be satisfied using simplified versions that do not capture the important details. This might create a false safety/security feeling through imposing unattainable capital requirements for pension funds and leading to a crowding out of second pillar pensions. ☐ The value for the sponsor support and protection schemes o We welcome that EIOPA takes in consideration the existence of sponsor support and protection schemes, we consider however that it cannot be valuated because it is so assumption and rating driven that one could question the value of the results: ☐ Very theoretical, lack of nuance and oversimplified ☐ A black box approach on default risk, recovery rate, estimate for future wealth. This will generate numbers, but what are these numbers worth? ☐ Tiering of assets o The technical specifications do not give any insight on the tiering of assets that will be applied, we would like to call EIOPA to add this. ☐ The VaR over a period of 1 year	

			o Given the nature of the pension liabilities, it seems strange to focus for the determination of the risk on a period of only 1 year. This will result in excessive capital requirements which will stress sponsors in times when economic environment is already bad and which will be of no help in times when IORPs are in distress as sponsors most probably will be in distress as well. Instead of determining the VaR for levels of 97,5% and 95%, we would propose to calculate the capital requirements taking into account the real duration of liabilities at 99,5%. In case of an obligation by means, that duration will be much longer than 1 year, compared to institutions with obligations by results. o The Var over a period of 1 year only makes sense if in case of a recovery plan, the recovery period is long enough e.g. 10 years ☐ The determination of the discount rate o Today prudential legislation requires technical provisions taking into account the returns of the strategic asset allocation. Therefore, moving to level A will highly impact the technical provisions, and will defacto impose a different asset allocation to IORPs. This new investment approach of IORPs in EU might have a serious economic impact ☐ The risk margin o The aim of the provided option is unclear. If the risk margin aims at serving as a buffer for adverse deviation in the assumptions, we believe this part is already included in the capital requirements o In the determination of the risk margin, the link to Cost	

			of Capital is totally irrelevant in the context of not for profit occupational pensions. Any reference to "transfer value to an insurance company" seems arbitrary as it is not clear to us why an insurance solution should be the reference point. o As such the 8% seems to be high and arbitrarily. Belgium currently has a very good and effective regulation in place. From the perspective of a Belgian IORP, this new framework seems to go too far. It brings additional costs which are not in line with the added value. As in the end all costs come from one compensations &benefits budget, we fear this will negatively affect the provision of second pillar pensions. The holistic balance sheet makes the framework for occupational pensions in IORPs much more complicated than the Solvency II (SII) requirements for occupational pension plans managed by insurers.	
24.	BlackRock	Q1.	Please see our General Comment above.	
25.	Bosch Pensionsfonds AG	Q1.	No, we do not agree with the general set-up of the QIS exercise. This QIS does not meet the "real life" of IORPs used as HR vehicles: The proposed technical specifications are heavily inspired from the Solvency II framework for insurance companies, which is	Noted.

			entirely inappropriate for IORPs. The level of detail and complexity of the QIS is beyond the capabilities of most sponsoring companies and their IORPs. Also, the timeframe for the QIS is too tight. If this QIS concept becomes the blueprint for a new supervisory regime under the new IORP II Directive, there is a significant risk to undermine the future motivation of sponsoring employers in the Member States to evaluate, set up and use IORPs in future. For more details, see "General Comments".	
26.	Bosch-Group	Q1.	No, we do not agree with the general set-up of the QIS exercise. This QIS does not meet the "real life" of IORPs used as HR vehicles: The proposed technical specifications are heavily inspired from the Solvency II framework for insurance companies, which is entirely inappropriate for IORPs. The level of detail and complexity of the QIS is beyond the capabilities of most sponsoring companies and their IORPs. Also, the timeframe for the QIS is too tight. If this QIS concept becomes the blueprint for a new supervisory	Noted.

			regime under the new IORP II Directive, there is a significant risk to undermine the future motivation of sponsoring employers in the Member States to evaluate, set up and use IORPs in future. For more details, see "General Comments".	
27.	BT Group plc	Q1.	Do stakeholders agree with the general set-up of the QIS exercise as put forward in the Introduction (Chapter 1)? What improvements do stakeholders suggest? No. The process being followed is flawed. It is not possible to comment on whether the methods used to derive certain elements of the HBS are appropriate when the purpose for these calculations has not been set out. The Commission needs to set out what the HBS is trying to achieve first and how it will be used. Only once this is known is it possible to comment on the set-up of the QIS. Given the highly detailed calculations needed for the QIS, it is not feasible for the UK Pensions Regulator to run accurate calculations for all schemes in the UK given the limited data available to them. We have carried out calculations for our own scheme based on the draft QIS specifications and it is clear that	Noted. Solvency II based approach follows from Commission's CfA HBS will be used for funding purposes in line with Commission's objective EIOPA agree that more QISs are needed

			there are areas where the Pensions Regulator will have insufficient data. Wide ranging assumptions will need to be made that are likely to lead to a materially different outcome to accurate calculations. We question whether the results for the UK will be sufficiently accurate for making policy decisions. The QIS also includes far too much spurious accuracy that appears to have been copied from Solvency II with little or no thought as to whether it is relevant for IORPs. We believe that a more appropriate approach is to have a more simplistic initial QIS focusing on the important parameters for pension schemes which is then refined over time.	
28.	BTPS Management Ltd	Q1.	The approach is significantly too technical for most IORPs and we believe that more simplifications are warranted in order for the bulk of IORPs to be able to contribute effectively. We are concerned that these steps towards a QIS are taking place before there is clarity as to the underlying regime. This seems inappropriate and risks making the QIS a meaningless process. It is impossible to assess the impact of a regime whose substance is not yet clear. We would thus strongly favour holding back the QIS, and even this consideration of the technical specifications for the QIS, until there is some certainty as to the shape of the underlying IORP regime. Once this underlying regime is clear then it would be appropriate to develop the QIS process; we would favour an approach involving a succession of QIS processes which progressively develop the framework, as was done for the insurance industry Solvency II regime.	Partially agreed. EIOPA agrees that more QISs are needed Fixed inflation rate has been replaced by market-implied rate. Inflation risk module has been added to be tested. 50% recovery rate should be interpreted as a maximum Sensitivity analysis regarding interest rates is part of QIS

			Assumptions such as 2% inflation and 50% recovery rates mean that this method fails to be market-consistent and the resulting HBS numbers risk being no better than meaningless. Inflation risk is the largest risk faced by most UK pension schemes and not including a specific module on inflation means the liability number will be incorrect, the SCR number meaningless and the HBS wrong. The date chosen to run the QIS numbers means that the calculations will incorporate the most stressed market position for interest rates. This highlights one of the largest challenges to European IORPs: that of historically low interest rates. We would suggest a sensitivity analysis of using different dates would be of interest and relevance, and would highlight the additional volatility introduced into the calculations by (1) using market defined risk free rates (especially as at the financial year end when the market is balancing its books) and (2) using a snap-shot method of valuation rather than smoothing. This method contrasts with recent announcements in the US and Holland of the utilisation of a long-term smoothed or adjusted discount curve and risks imposing long-term consequences from a calculation based on a single point in time of severe stress in the financial markets. We would encourage EIOPA to investigate whether a different process which considers more fully the extremely long-term nature of IORPs is suitable.	
29.	Deloitte Total Reward and	Q1.	No.	Partially agreed.

	Benefits Limited (UK)		We are concerned that the timing for both (i) the consultation and (ii) the overall timetable for revisions to the IORP Directive are too short to allow proper consideration of the issues, taking into account that: ☐ a very wide range of issues are covered in the consultation, ranging from broad conceptual issues to very detailed formulae; ☐ it is unclear to what extent assumptions, formulae and concepts set out in the consultation are simply intended for the purposes of undertaking the QIS or whether these would carry through to the final proposals; ☐ the consultation notes that a number of 'political' decisions remain to be made (for example, the confidence level underlying the SCR and the applicable supervisory responses). These decisions will have a significant bearing on the practical impact of the technical proposals set out in the consultation. As these decisions are not covered in the consultation, it is not possible to judge the practical impact and materiality of many of the technical points being consulted on and hence it is not possible to give an informed opinion on these items; and ☐ it is unclear how the different options set out in the consultation will fit together. For example, as the consultation notes in paragraph I.5.8, the options set out lead to 2,916 possible permutations of how the holistic balance sheet may be built up. Without a clearer indication of how the options set out are likely to fit together in practice, stakeholders are not left with a sense of where the outcome may fall for their IORP and it is difficult to provide meaningful feedback on the individual elements.	EIOPA agrees more QISs are needed There is not enough information at this stage to specify supervisory responses Derivation of lower confidence level has been clarified IORPs are only required to calculate limited number of scenarios

			We note that in the insurance industry, there have been a total of 5 QIS' spread over a period of 5 years so far (and discussions are still ongoing). Given (i) the more fragmented nature of the pensions industry (c.140,000 IORPs across Europe compared to c.5,000 insurers), (ii) the relatively small size of many IORPs and (iii) the relative lack of internal resource within IORPs to investigate the impact of new regulations, we feel strongly that the timescale for discussion around changes to the IORP Directive should be at least as long (and preferably longer) than the timescale adopted for the introduction of Solvency II across the insurance industry. We consider that the timeline for the QIS needs to be extended and that EIOPA should undertake a series of QIS exercises, supplemented by further consultations as required, in order to allow the industry to give considered input. In addition, as set out above, respondents have a significant number of options on which they have been asked to provide comment and opinion. In order to make the QIS process itself less onerous and less costly for IORPs to undertake, the number of options considered in each QIS should be reduced significantly. We understand EIOPA intend to present three possible baseline scenarios in their final report. We note that this is likely to be a significant challenge for EIOPA to reduce the options to such an extent whilst still having consideration for the needs of the various participating Member States. We would suggest providing a longer timeframe for EIOPA to make these decisions than is currently timetabled.	

30.	Deutsche Post DHL	Q1.	We do not agree with the general set-up of the QIS exercise for the following reasons (for details please refer to "General Comment"): ☐ The technical specifications are heavily based on the Solvency II framework for insurance companies which was, is and will remain inappropriate for IORPs. There is no reason for a level playing field between IORPs and the insurance industry! ☐ The QIS appears to be very complex and is quite likely far beyond the capabilities of most sponsoring companies and their IORPs. I.e. we doubt that the outcome will be representative and usefull for further decision taking at all. ☐ The number of scenarios that have to be computed within the QIS (for each confidence level) is far beyond of what we would have expected in advance of such an exercise and appears to be more than strange (972?? scenarios). ☐ Applying similar standards in future on a regular basis would result in a significant increase of bureaucracy (and thus costs).	Noted. Solvency II based approach follows from Commission's CfA Aim of QIS is also to analyse practicability of calculations IORPs are only required to calculate limited number of scenarios
31.	Dexia Asset Management	Q1.	Q1. Do stakeholders agree with the general set-up of the QIS exercise as put forward in the Introduction (Chapter 1)? What improvements do stakeholders suggest? We do not agree with the general set-up of the QIS. The deadline is very tight and the consultation takes place	Noted. Solvency II based approach follows from Commission's CfA Sponsor support section will be further developed

			during the summer holidays period. Moreover, the QIS exercise is very new to the IORPs who are much less equipped to run quantitative studies than the financial industry is. The costs an IORP would face for the production of its HBS is a deterrent for many to undertake such a study. It raises the question of what EIOPA itself can expect from a consultation where the vast majority of the stakeholders have no idea of what the big picture of their own situation will be. We believe that IORPs specific security mechanisms are little developed while minor items are too complicated (SCR calculations). The proposed framework is only adapted to the framework of 1 IORP (1 parent company, which is not relevant in the general case. Lots of uncertainties on how to evaluate the solvency of an IORP remain and the tiering of assets should be clarified: - How should we interpret a large reliance on security mechanisms? - If invested assets are lower than level A TP, what kind of assets should be put in front of a possible deficit? Finally, we regret the excessive focus on market consistency when: - Two market consistent balance sheets can look very different	Aim of QIS is also to analyse practicability of calculations There is not enough information at this stage to specify supervisory responses

			- Most of long term risks IORPs are facing cannot be hedged on the market - The reference to Solvency II is flawed since Solvency II framework is not yet finalized.	
33.	EEF	Q1.	No. We disagree fundamentally with the separation of the wider economic impact from the narrow technical analysis. It is a waste of valuable resources to proceed with the latter before the former has been undertaken. We suggest that the process be taken in stages as a consensus is achieved on each stage, even if this means there needs to be a succession of QIS exercises, as has happened with the sister provisions of Solvency II for insurers. Recognition of the reality of such a timetable is essential. As we noted in our general comments, uncertainty about what the revision to the Directive will bring and the potential for significant detrimental impact upon wider economic activity is already changing employer behaviour. Our member companies tell us they are already factoring in scenarios as there is uncertainty over critical questions for employers, such as the length of the recovery period. UK employers are also dismayed at the prospect of an annual	Noted. EIOPA agrees more QISs are needed

			assessment under the Holistic Balance Sheet methodology. The current triennial valuation process is a major event in the corporate calendar; it is hugely expensive to undertake and forms the backdrop to investment plans. The prospect of repeating the exercise annually is not only unnecessary but contributes to a sense of instability, volatility and high risk which is detrimental to the future of schemes within scope of the Directive. If there was a realistic assessment of the length of time it will take to revise the Directive (given experience with Solvency II), some employers might feel under less pressure to close schemes quite so quickly. The more years people are accruing benefits in high quality pension schemes the better, even if they eventually close. A six-week consultation period is woefully inadequate for such a complex consultation exercise. The quality of contributions from stakeholders, even those with the necessary technical expertise is inevitably compromised. Who undertakes the QIS We urge EIOPA to ensure there are no barriers at national level to those participating in the QIS. In the UK, we believe that a wider stakeholder group is required than solely the Pensions Regulator.	

34.	EuroCommerce – The retail wholesale and internatio	Q1.	Do stakeholders agree with the general set-up of the QIS exercise as put forward on the Introduction (Chapter 1)? What improvements do stakeholders suggest? Six weeks is far too short a consultation period for such important policy proposals which have significant implications employers, pension holders and the EU's 2020 growth agenda. Given the length and complexity of the consultation document, there is simply insufficient time for stakeholders to be able to fully understand and analyse the complex calculations put forward in the Holistic Balance Sheet (HBS). This is particularly the case where entirely new concepts have been proposed, such as how to value the sponsor covenant and pension protection schemes. These aspects could be addressed in a QIS in their own right given their significance to IORP scheme security. Furthermore, we wish to record that the consultation fails to meet the Commission's own general principles and minimum standards for EU consultations, which stipulates a minimum of 8 weeks It may also be prudent for the Commission to complete its impact assessment of Solvency II Directive on the insurance sector before proceeding further with the IORP Directive review. Solvency II is still very much a work in progress and many would agree it has not been a smooth process. Given the importance of pension funds to future economic growth and investment, it would be sensible to wait until the Directive has	Noted.

			been properly implemented by member states. In this regard, we are pleased that Commissioner Barnier intends to publish a Green Paper of the impact of financial regulation on the insurance sector's ability to make long-term investments. It is vital that any future EU regulation does not impede pension funds from providing and channelling long-term investment.	
35.	European Association of Public Sector Pension Inst	Q1.	Do stakeholders agree with the general set-up of the QIS exercise as put forward in the Introduction (Chapter 1)? What improvements do stakeholders suggest? EAPSPI welcomes the opportunity given by EIOPA to have access to more detailed information on the HBS, particularly EIOPA's intention on how to cope with the valuation of security mechanisms. EAPSPI also welcomes the idea to assess the impact of the HBS on the financial requirements for IORPs. The general approach of the consultation on the technical specifications for the QIS is very technical by nature, strictly focusing on detailed quantitative aspects. Because of the necessary qualified staff and resources smaller IORPs will find it difficult to participate in the QIS. Regarding the content of the consultation, EAPSPI would like to express its concern that the setup of the consultation aims at one direction only, namely the Solvency II structure for IORPs: the structure of the technical specifications and the forthcoming QIS is identical to Solvency II, as EIOPA confirms (see I.4.5.). The only exclusion is the question of how to include security mechanisms of IORPs etc.	Noted. Solvency II based approach follows Commission's CfA QIS aims to test implementation of HBS in practice

			as financial assets in the HBS. By answering detailed technical questions on how to apply the Solvency II structure, stakeholders are forced to accept implicitly that Solvency II has become the blueprint for the IORP review. This includes the general pillar I principles (market-consistency, risk-sensitivity) as well as the actual calculation of the SCR. With their 23 questions, EIOPA asks stakeholders to help finalise the technical design of a complex structure - without specifying how the structure will be used. As an improvement, EAPSPI would like to suggest to allow EIOPA more time to reconsider the general direction of the review of the IORP directive and to discuss openly how to regulate IORPs. EAPSPI would like to point out that general and crucial topics on how to review the IORP directive are not settled (see the general comment above). These topics were already part of EIOPA's Call for Advice on the review of Directive 2003/41/EC, EIOPA-CP-11/006, second consultation of 2 January 2012. The majority of stakeholders opposed the adoption of the Solvency II framework and principles (market-consistent valuation, risk-sensitive capital requirements) According to an analysis conducted by the German pension association aba, 108 out of 127 statements were against a Solvency II-like risk-based SCR, 15 of the 19 supporting statements came from the insurance sector. 48 out of 86 statements clearly were against a market consistent valuation of assets and liabilities, only 24 statements supported without restrictions a market consistent valuation. A similar situation could be found at the Public Hearing of the Commission on the Review of the IORP-Directive which took place on 1 March	

			2012: the majority of the stakeholders (i.e. employers' associations, trade unions, industry federations) opposed an adoption of a Solvency II-like regulatory regime. Also, the political representatives of the UK, the Netherlands, Germany and Ireland demonstrated a truly "united" opposition to Solvency II for IORPs (all mentioning their surprise at the high degree of social consensus with regard to the topic in their countries). These concerns seem to have gone unheard since the QIS will be carried out on a Solvency II basis as regards structure and principles. It seems important to pay attention to these voices and to find answers to the open questions which should be based on a mutual interest of adequate, safe and sustainable pensions in Europe. Concerning the SCR, EAPSPI would like to point out that differences between Solvency II and the current suggestion are marginal. The idea of a regulatory framework sui generis for IORPs seems to have vanished. IORPs will have to calculate pure Solvency II numbers the only differences being some adapted risk categories and the same parameterisation of the remaining categories (see the explanations on the gross SCR calculation in SCR.2.8.ff and on the risk-categories in Section 3). Only as a second step will the loss-absorbing capacity of security mechanisms and technical provisions of IORPs be accounted for – on top of an inadequate structure to measure the risks of IORPs. In addition, IORPs shall also calculate as an option the basic risk-free interest rate according to the QIS5 extrapolation method (HBS.8.11.). EIOPA points out (SCR.2.9.) that the gross SCR "is an additional source of information about the risk profile of the IORP." But this "additional information" is	

			exactly the Solvency II perspective. In the end, a comparison of the results of QIS 5 for insurance companies and the IORP QIS is possible, only adjustment for the differing interest rate levels has to be made.	
36.	European Federation for Retirement Provision (EFRP	Q1.	Q1. Do stakeholders agree with the general set-up of the QIS exercise as put forward in the Introduction (Chapter 1)? What improvements do stakeholders suggest? The EFRP does not agree with the general set-up of the QIS exercise. On the one hand, the QIS exercise is very exhaustive for a first impact study with a lot of very detailed calculations in a very short timeframe. Therefore, it is very questionable if IORPs could provide an adequate input to the QIS and that all the relevant issues can be tackled in one run. The time given to stakeholders for consultation is too short for adequate internal research. It is very important to have more time. On the other hand, the proposed QIS is not extensive enough. If the European Commission would only want to run one QIS before a proposal for a new IORP Directive, the Commission should have an adequate overview of the possible answers/insights/numbers and the sensitivity to the different assumptions and options. Unfortunately, this is not possible with the proposed QIS. There is too little guidance on new items such as the valuation of steering and adjustment mechanisms and there are many different interpretations and subjective assumptions to be made. This makes the HBS very	Partially agreed. EIOPA agrees more QISs are needed Some areas of technical specifications have been simplified (including proportionality section) Solvency II based approach follows from Commission's CfA

			sensitive for model risk: the accumulation of assumptions leads to an accumulation of insecurities. Therefore, many different responses to the QIS will be possible and this makes the different QIS exercises not comparable. The EFRP strongly recommends starting with a first simple QIS and gradually deciding on where more sophistication is needed in the next QISs (on Lamfalussy Level 1). Furthermore, there is a strong risk that pensions funds – especially the small ones- will not have enough time and resources to both reply to the EIOPA's consultation and carry out the QIS. The sample of IORPs that will participate to the QIS process will therefore be biased. The QIS is not as representative as it should be. In some Member States, the supervisors will respond to the QIS, with individual IORPs unable to respond. It will be more useful for EIOPA to receive the feedback from IORPs and the qualitative questionnaire instead of supervisors or consultants. After all, when a new IORP Directive is adopted, it will be the IORPs themselves who will have to perform all the calculations. Before a proposal can be tabled, it should be clear that IORPs are able to do all the calculations, what the sensitivity of the different assumptions is and what the impact of the QIS will be on real IORPs. Overall, only eight or nine Member States will participate in the QIS. The EFRP regrets the absence of both qualitative questionnaire	

			and spreadsheet that could have given stakeholders more insight about the QIS exercise. The EFRP regrets the strong similarities between the Solvency II QIS and the IORP QIS. Some provisions (especially those concerning the SCR) are a copy-paste from Solvency II QIS. These similarities between the two QISs raises some issues: for instance, the concept of risk margin that must be calculated according to the cost-of-capital formula and that is included in the calculation of the technical provisions, does not make sense for IORPs. The requirements for the proportional application of the rules are very complex themselves and the level of detail here seems to come too early in the process. The process of determining and applying proportionality could be as labour-intensive as doing the actual calculations. It is difficult to give feedback to EIOPA on all the different chosen parameters in the proposed Technical Specfiactions, because there is no explanation on how these parameters are derived at all.	
37.	European Private Equity & Venture Capital Associat	Q1.	The EVCA understands that technical issues that would normally be specified in Level 2 implementing measures, such as the risks to be included in the calibration of the SCR, and their accompanying stresses and correlations in the standard formula, should be included if a Solvency II like SCR is to be calculated. However EVCA remains unconvinced of such an	Noted. Solvency II based approach follows Commission's CfA

			approach for pension funds. In order to calculate any theoretical risk calibration and correlations for private equity and venture capital, the full specificitiesof measuring risk in the asset class should be taken into consideration in order to produce a risk calibration and correlations that are appropriate. These specificities together with an appropriate database and calibration methodologies are expanded upon in this document in our comments on SCR 5.28, 5.29, 5.33, 5.35 and 5.38 and explained in detail in the EVCA Research Paper "Calibration of Risk and Correlations in Private Equity"┐ presented to EIOPA on May 20th 2012. This EVCA Research Paper demonstrates, depending on the calibration method and the data base used, the shocks for the asset class, and hence the standard risk weighting for private equity, are between 20% and 35%. In addition to an appropriate risk calibration and correlation the specific characteristics of the asset class should also be taken into consideration when classifying private equity and venture capital within the market risk sub-module. These characteristics include:	

			☐ PE funds typically make long-term, one hundred per cent equity backed, investments ☐ PE funds do not offer redemption rights for investors ☐ PE funds do not use leverage at fund level, i.e. they are not exposed at fund level ☐ PE funds do not engage in credit origination activities. Against the background of these characteristics of private equity and venture capital funds a fund structure has developed that may be defined as follows: "Private equity and venture capital funds are unleveraged funds which predominantly invest in equity instruments and instruments that are economically similar to equity instruments issued by unlisted companies. Such funds are characterised by alignment of interest through sharing of risk between management and investors. They are generally only open to eligible investors, namely professional clients and certain sophisticated HNWIs, and do not provide redemption rights to investors for a period of at least five years after the first closing of the fund, i.e. the date when the first investor is admitted to the fund. Private equity and venture capital funds of funds invest in private equity and venture capital funds as defined above."┐ Consequently, we recommend creating a private equity and venture capital sub-module to accurately reflect the standard risk weighting for investing in private equity and venture capital funds and the unique characteristics of private equity and venture capital funds.	

			4Chakravarty/Diller (2012) EVCA Research Paper: "Calibration of Risk and Correlation in Private Equity" 5EVCA Position Paper (2012) "What is a private equity and venture capital fund?"	
38.	Federation of the Dutch Pension Funds	Q1.	We do not agree with the set-up of this QIS exercise as put forward in the introduction, because we think this exercise has to be done exhaustively. We foresee that this QIS will not give all the necessary insights for a future IORP II directive; not all relevant questions can be addressed and clearly answered in only one study (at Lamfalussy Level 1). What will happen if the outcome of the first QIS will be unclear? Then EIOPA will certainly need a second QIS (and possibly even more QISs), which should be the input for the obligatory impact assessment to be carried out by the European Commission. We regret that this planned QIS is almost entirely based on the Solvency II framework and that little attention is paid to the specificities of IORPs, such as the valuation of the steering and adjustment mechanisms. This shortcoming is reflected in the documentation/questions: those based on Solvency II provisions are well-documented, whereas the ones related to	Noted. EIOPA agrees more QISs are needed There is not enough information at this stage to specify supervisory responses

			the specific characteristics of pension funds are not sufficiently documented. Recalibrating towards other security levels than 99.5%, adopted for this QIS, e.g. 97.5% or 95% may lead to inaccurate approximations. Therefore, EIOPA should ask for even more information than already included in the proposed QIS so far. Considering the experiences of the Netherlands with market consistent valuation, we have learned that it is very likely that different organisations/approaches can come up with different analysis even though all are market consistent. Results from the QIS are thus uncertain and depend on assumptions in calibrating the best possible model. There is a risk that pension funds will not have enough time and at the moment they are certainly not sufficiently equipped to reply. The resources needed to run a QIS style solvency process will be very expensive to the vast majority of IORPs (proportionality). Therefore, those that participate will be a biased sample of large pension plans – those that can absorb the costs relatively easy. This will result in only a limited number of replies. The question also will be, whether in future, small IORPs will be able at all to apply the proposed rules. In addition the focus of responses will be on the technical details and not on the general concept and usability of the HBS. These drawbacks will be a serious threat for the value and use of the outcomes of the QIS.	

			The approach the European Commission and EIOPA want to use in tiering (contingent) assets and liabilities is not taken into account in this consultation. Therefore we call for adding this approach to this exercise. Furthermore, it is not clear what a healthy pension fund should look like. If the pension contract is complete and all security mechanisms are included in the HBS, the funding ratio will by definition be 100%. Changes in (market) conditions will have an impact on the value of the balance sheet items (such as higher contributions or lower (conditional) benefits). But if – as will be the case in a complete pension contract – the security mechanisms will absorb all shocks; after a shock the funding ratio will be 100% once again. This will lead to a (net) Solvency Capital Requirement (SCR) of 0. The funding ratio – being always 100% - and SCR are as such no useful instruments in assessing the solvency of the fund. The intended use by EIOPA of aggregated data will make an adequate comparison of the outcomes for pension funds and countries impossible Probably, EIOPA will not get sufficient insight in the underlying assumptions of the stochastic analysis which may differ significantly between individual IORPs. These differences in these assumptions could lead to material differences. We regret that the accompanying spread sheets are not included in this consultation. We also suggest additional questions to be added to the QIS as	

			follows: ☐ What suggestions do stakeholders have to link supervisory actions to the concept of HBS? ☐ When and how should these be triggered? ☐ Which views do stakeholders have with regard to the length of recovery plans?	
39.	Financial Reporting Council – staff response	Q1.	We welcome EIOPA's decision to consult on a draft technical specification for the proposed QIS. This should enable the final technical specification to be complete and comprehensible to preparers of responses. It is also an early opportunity to comment on measures for the components of the holistic balance sheet. We consider that the QIS has the potential to provide useful information for EIOPA and the EC which will support decisions on the direction of IORP II. We note the limited scope of the QIS set out in section 1.3. We have concerns about the wider impact of the proposal to apply some of the Solvency II framework to IORPs. We consider that EIOPA and the EC would benefit from a more in-depth impact study. Such an in-depth analysis might consider the impact of any changes on funding requirements, consequential changes to investment strategy, the design of pension arrangements, the costs to IORPs and sponsors associated with implementation and ongoing reporting under the proposed regime, and the impact on regulators of processing and	Noted. Commission will conduct comprehensive impact assessment after QIS Proportionality rules cannot be specified until more information on practicability of calculations is available Aggregation does not preclude reporting on different categories QIS includes sensitivity analysis with regard to interest rate

			responding to the new information. The technical specifications demonstrate the complexity of the proposed regime. We do not consider the proposed approach is proportionate given the diversity of IORPs in terms of size, location, funding level and sponsor covenant. We suggest that EIOPA gives more thought to the development of simplified approaches for smaller or simple IORPs. We recognise that EIOPA is allowing the use of further simplifications in section 1.4.4 but given the short timetable and the expense of developing appropriate simplifications it is unlikely that preparers will be able to take advantage of this option. We note that section 1.8.2 states that EIOPA intends to measure the quantitative impact of its advice by comparing the surplus under the holistic balance sheet regime with the surplus under existing regimes. This suggests that there will be an aggregation of data. The universe of IORPs is very large and diverse. The differences include size (both absolute and relative to the size of the sponsor), benefit structures, maturity, funding status and sponsor covenant. We are concerned that the QIS might fail to illustrate how the proposals might affect different categories of IORP. A more granular analysis of IORPs would be beneficial. We note that the QIS is to be carried out at 31 December 2011. This will show the position at a fixed point. However the financial position of IORPS and their sponsors changes over	

			time. We consider that it would be beneficial to EIOPA and the EC if analysis was carried out over a period of years. The experience of the extended development of Solvency II with the changes in market conditions that occurred during its gestation and the subsequent political debate might be a lesson on the potential shortcomings of overly complex solvency models. EIOPA might like to consider one example of how IORPs might be affected by considering the position of IORPs sponsored by financial institutions such as banks and insurers. To support the analysis of cyclical and economic impacts including impact on the durability of the sponsor covenant, it might be helpful to plot the development of the holistic balance sheet and solvency capital requirements of these IORPs from 2007 to 2012 as market conditions and sponsor credit ratings changed.	
40.	German Institute of Pension Actuaries	Q1.	We strongly disagree because this draft document consists mainly of an unchanged Solvency II approach with additional valuation of sponsor support and pension protection scheme. We were surprised and disappointed to see that EIOPA's advice on the Commission's Call for Advice was effectively unchanged from the original draft despite the overwhelmingly critical input from the vast majority of commentators in the European pensions industry. As we made clear in our response to the EIOPA consultations on the Commission's Call for Advice we challenge the central assumption that insurance and pensions business is so similar, that the same principles can be used as a starting point. We do not think that this assumption is appropriate. As compared with insurers, IORPs typically operate according to a different	Noted. Solvency II based approach follows from Commission's CfA Derivation of risk margin has been clarified

			business model, typically have different ownership structures, are subject to very different legal frameworks, currently encapsulate more diversity and have different risk profiles. Thus we believe that the key quantitative parameters of the Solvency II model, namely the mark-to-market and mark-to-model valuation requirements for plan assets and liabilities, respectively, the one-year forecast period at a statistical confidence level of 99.5% (or 97.7 or 95% for that matter) cannot be copied unchanged to IORPs. Excessively high and volatile capital requirements based exclusively on the state of financial markets (duration gap between available assets and liabilities; low interest rates; state of the markets at the valuation date) are inappropriate for the IORP business model. Additional and fancy capital requirements do not necessarily improve the security of benefits but rather jeopardize the ability to provide for benefits. Moreover, we fear that a fair value approach would force IORPs towards pro-cyclical investment decisions. This would reinforce the trend to overinvest in overvalued securities on the basis of historical ratings that can also not always necessarily be relied upon. As we have already mentioned, it is questionable whether a mark-to-market valuation of liabilities is the right approach to determine the capital requirement. In our opinion a risk margin in addition to the technical	

			provisions is inappropriate because there will typically be no external financial investors that calculate on a cost of capital basis. Including the risk margin in calculating the technical provisions as a risk buffer to cover against adverse deviations from the best estimate leads to an element of double counting of risk. If there is a risk margin included in the technical provision, then ceteris paribus the SCR is increased proportionally. We are convinced that the proposed simplification of not accounting for a risk margin is much more appropriate for IORPs. A risk margin of 8% as proposed in HBS.5.2 is almost twice the current Solvency I requirement. EIOPA does not give adequate justification for this opinion. Furthermore, we think that introducing a regulatory imposed general level of harmonization throughout Europe is questionable because the cost of establishing such harmonization is disproportionately high. Cross-border activities are organized on a company or sponsor basis. We believe that the diversification of IORPs in Europe is so widespread that there is no reasonable way to find a one-size-fits-all approach.	
41.	GESAMTMETALL - Federation of German	Q1.	No, GESAMTMETALL does not agree with the general set-up of the QIS exercise. This because of the following three reasons:	Partially agreed. EIOPA considers more

	employer		1) The QIS will not give all necessary insights for IORP II ☐ If this is the only QIS before the proposal of IORP II by the European Commission (as indicated by the European Commission), for sure not all relevant questions can be directed and clearly answered in one run. EIOPA should ask for even more information than it is already going to do in the complex QIS. ☐ There is the risk that IORPs will not have enough time to be – and certainly are at the moment not – sufficiently equipped to reply (leading to a limited number of replies). Focus of responses will be on the technical details and not on general concept and usability of holistic balance sheet. ☐ The resources needed to run a QIS style solvency process will be very expensive to the majority of IORPs (proportionality). Therefore, those that participate will be a biased sample of large pension plans – those that can easily absorb the cost. 2) The representativeness of the QIS is insufficient for an IORP II proposal by the EC: ☐ Only 8 out of 27 Member States will participate in the QIS. ☐ Municipal/Local Authorities pension schemes are not included, although these are significant providers of second pillar pension schemes.	QISs are needed Member state participation in the QIS is voluntary Some areas of technical specifications have been simplified, other areas will be further developed IORPs are only expected to calculate limited number of scenarios

			☐ In some Member States the QIS will not be performed by IORPs, but by supervisory authorities which are using aggregated data (or it is done by actuarial firms on behalf of the supervisory authority). However, it is our opinion that EIOPA and the Commission can only have a good indication of the real impact when the QIS will be performed by IORPs (instead of hypothetical schemes). ☐ The use of aggregated data makes the comparison between funds and countries distorted and it will be very hard for EIOPA to have an adequate overview of the sensitivity to the assumptions. ☐ If IORPs will not participate in the QIS, they will also not be able to respond (properly) to the qualitative questionnaire, while it is the purpose of the qualitative questionnaire to obtain an assessment by the IORPs of the clarity of the technical specifications, the quality of inputs and results, the methodology of the QIS, the practicability of the calculations involved and the use of simplifications. In addition, IORPs will be invited to give a first impression of the outcomes of the QIS and the potential policy reaction by the IORPs and other stakeholders. 3) This exercise is very exhaustive: ☐ The exercise is dependent on many – debatable – assumptions like stable correlations, normal curves, absence of tail-risk and the ability for analysts to accurately predict the future. ☐ The underlying principles of the Holistic Balance Sheet	

			are based on full market valuation and a Value at Risk (VaR) methodology. However, based on the experiences over the last years, there are some second thoughts if this kind of models should be still applicable. ☐ We have identified 972 scenarios that IORPs will be expected to compute. Many will not have inputs in the appropriate format.	
42.	Groupe Consultatif Actuariel Européen	Q1.	Do stakeholders agree with the general set-up of the QIS exercise as put forward in the Introduction (Chapter 1)? What improvements do stakeholders suggest? In our opinion, the timescale imposed upon EIOPA by the EC is too ambitious. While many of the issues within the QIS have already been considered within Solvency II for insurers, the extent to which these need adjustment for application to IORPs requires detailed consideration. Moreover, and presenting a greater challenge, there are many new concepts, such as security mechanisms, to consider. These are complex - a complexity compounded by interdependencies - and it is clear that some of the thinking around these is at an early stage. This is in stark contrast to the elements taken from Solvency II, which have been developed over years through a process of iterative QISs. However, even with these it is unclear that all of the elements that have been imported from QIS 5 of Solvency II need to be included. Indeed, in some cases their relevance to IORPs, at least in some countries, is questionable. Undoubtedly, there will also be unforeseen issues that arise during the QIS and these will require further time if they are to	Partially agreed. EIOPA agrees more QISs are needed Some areas of technical specifications have been simplified, other areas will be further developed IORPs do not have to calculate risk modules that are not material There is not enough information at this stage to specify supervisory responses

			be considered appropriately. We suggest that EIOPA gives serious consideration to some staging of the QIS as happened in the development of Solvency II. The initial QIS could be extended to IORPs and/or supervisory authorities in all relevant Member States, focusing on key issues such as discount rates, longevity, asset volatility, the valuation of conditional and discretionary benefits and (where relevant) sponsor support. The results would help to inform policy makers on the high level impact of policy alternatives and, once decisions have been taken on these, further QIS(s) could explore details of the proposed direction and provide information on the calibration necessary to achieve any desired implementation result. This approach would also help to maximise the robustness and applicability of any simplifications and, ultimately, ensure that outputs are as useful as possible for supervisory authorities. It will be important to consider the overall aggregate capital impact of any regulatory framework that might be introduced. We therefore strongly urge EIOPA and the European Commission to include at least a first draft or outline of the prudential framework envisaged. There is a serious risk that pension funds will not have enough time or resource to reply to the consultation on this technical specification, let alone the QIS itself. The resources needed to run a QIS-style solvency process will be expensive to the vast	

			majority of IORPs. If, as seems likely, the sample of IORPs that reply to the consultation is biased towards only the largest pension plans, those responses will not be representative and the concept and usability of the proposals will remain untested/unreliable	
43.	Hundred Group of Finance Directors	Q1.	Do stakeholders agree with the general set-up of the QIS exercise as put forward on the Introduction (Chapter 1)? What improvements do stakeholders suggest? No, the proposed QIS is not fit for purpose. It is impossible to provide a meaningful response on the calculation methodologies contained in the consultation document when we do not know how the results of those calculations will be used in practice in the holistic balance sheet framework. In particular, we do not know what supervisory actions might be triggered by certain levels being breached nor what actions corporate entities might have to take in the event that the holistic balance sheet does not balance. For example, the consultation proposes a calculation for a minimum capital requirement without giving any indication of the purpose for which such a measure would be used. It is therefore impossible to comment on the proposed calculation. Similar comments could be applied to the specification of level A and level B liabilities, or the risk margin: it is not clear what these numbers will be used for. We also note that, for some of the key elements in the holistic	Noted. There is not enough information at this stage to specify supervisory responses Possible use of Level B liabilities has been clarified EIOPA considers more QISs are needed Aim of QIS is also to investigate practicability of calculations

			balance sheet, such as the valuation of the sponsor covenant and pension protection schemes, the methodology proposed has been put forward by EIOPA solely in order for the QIS to take place. The consultation notes that the techniques and specifications proposed for the QIS should not be read as proposals for possible future level 2 measures (1.4.11), but, if these techniques do not reflect the approach to be taken in practice, then the results of the QIS will prove worthless. We understand that EIOPA is limited in the scope of what it can cover in the QIS, but believe that, as it stands, the exercise is meaningless. The QIS would need to be repeated once the policy objectives have been agreed (assuming that the European Commission persists with its intention to apply a Solvency II regime to pensions) and the resulting impact study given proper consideration before any final decision is taken. Overall, many of the elements of the consultation are highly complex and are likely to prove very time-consuming and costly for IORPS. For many smaller UK IORPs, calculations along the lines proposed will be impossible without substantial simplifications. Even if the QIS itself is carried out by national supervisors rather than individual IORPs, IORPs would still need to be able to carry out such calculations if a Solvency II regime along the lines proposed was introduced for pensions. Larger IORPs, such as those sponsored by Hundred Group companies, are more likely to have access to the time,	

			resources, advice and expertise to complete the QIS (and the calculations ultimately required under the holistic balance sheet), but such calculations would be extremely time-consuming and use resources that could better be applied in improving the funding position of the IORP rather than in paying the costs of advisers.	
44.	IBM Deutschland Pensionsfonds AG	Q1.	No. The QIS is based on Solvency II with some modules added for sponsor support and pension protection schemes. No effort has been made to develop a solvency approach which reflects the true nature of IORPs, the benefits they provide and their role within society. In particular, capital requirements based on VAR, a one-year forecast period and market based parameters are completely inappropriate for institutions that have long-dated liabilities that cannot be called, have flexible funding backed by a sponsoring employer and are a critical provider of long-term capital both to the banking sector and to the real economy. Notwithstanding this, the QIS will be inadequate for EIOPA to assess the impact of the proposed regulations on IORPs and their members without specifying or providing an idea of the possible regulatory actions of a shortfall in the holistic balance sheet. As these actions can have an impact on the benefits provided by IORPs, the valuation of liabilities may well contain a high degree of error. The complexity of the exercise will overwhelm many IORPs who	Noted. Solvency II based approach follows Commission's CfA There is not enough information at this stage to specify supervisory responses IORPs are only expected to calculate limited number of scenarios Aim of QIS is also to investigate practicability of calculations

			will not have the staff nor the financial resources to undertake the study. For many IORPs, the exercise would not be feasible without using consultants at a significant cost. Many smaller IORPs, therefore, will not participate with the result that EIOPA will receive an biased sample of responses. IORPs that had planned to respond must mine through a highly complex document that uses unfamiliar terminology and must make judgments as to which sections are relevant for them. We have identified 972 scenarios (for one confidence level) that IORPs will be expected to compute. Many IORPs will not have inputs in the appropriate format. Given that EIOPA will only be publishing 3 "typical scenarios", the effort seems completely disproportionate. Given the similar complexity to Solvency II, we would expect the cost of the QIS and finally the implementation of an analogous IORP II regime would be very similar to the total Solvency II QIS/implementation cost for insurers. We, therefore, call on EIOPA to carry out a cost/benefit analysis prior to carrying out the QIS.	
45.	Institute and Faculty of Actuaries	Q1.	Do stakeholders agree with the general set-up of the QIS exercise as put forward in the Introduction (Chapter 1)? What improvements do stakeholders suggest? No. A QIS following the draft specification may partially fill a void in the information available to EIOPA about the finances of IORPs provided sufficient granularity is retained (we have a	Noted. There is not enough information at this stage to specify supervisory responses

			concern that aggregation may result in the loss of information that could be key to decision making). We do not believe that such a QIS will provide adequate information for EIOPA to form a credible conclusion about the impact of its advice. We consider it impossible to assess the impact of EIOPA's advice if the regulatory actions etc. are not defined. We consider that as a minimum the QIS should: ☐ wait until the Solvency II details on, for example, the matching premium have been finalised ☐ assess the impact in terms of possible regulatory actions, in the various scenarios that could emerge from the Holistic Balance Sheet not 'balancing' ☐ include the implications for the ORSA in the assessment ☐ consider alternative ways of taking sponsor support into account ☐ consider the volatility of the quantitative information over time ☐ consider the behavioural changes that would follow the adoption of the proposed measures and review the QIS findings as a result of the corresponding changes to market yields, contribution schedules etc.	EIOPA considers that more QISs are needed IORPs are only expected to calculate limited number of scenarios QIS includes sensitivity analysis with regard to interest rate
46.	Insurance Europe	Q1.	Insurance Europe sees the QIS as an important step in testing a harmonised solvency regime for IORPs. We would like to stress that the focus of the QIS should be on important, specific issues relating to IORPs. Therefore we recommend testing mainly the different options with regard to the adjustment mechanisms and the security mechanisms. However, uncertainty -such as	Noted. QIS includes some LTG measures EIOPA considers that more QISs are needed

			measures for long term guarantee products- in Solvency II should be discussed and solved within the Solvency II framework. Insurance Europe agrees on the general set-up of the QIS exercise as put forward in chapter 1. Insurance Europe understands that the draft specifications in this document have been developed by making use of the latest technical specifications for Solvency II. However, given the on-going discussions at Council and European Parliament, Insurance Europe stresses to include the latest specifications. Especially, since these changes might have a big impact on products offering long term guarantees, including occupational pension products. This has also been indicated in I.5.6 and HBS.8.14 but not in I.4.5. Finally, Insurance Europe wants to stress that the correct conclusions should be drawn from the results. Furthermore, Insurance Europe considers it very important to get the review of the Directive right, even if this would imply that further testing is needed.	
47.	KPMG LLP (UK)	Q1.	No. Due to the very tight time constraints, some or all of the pensions regulators taking part in this exercise will have to work with aggregate data (and in some cases, e.g. on employer covenant issues, with significantly incomplete data). We do have significant doubts that sufficiently reliable and comparable results will be able to be obtained across all the member states taking part. Further, working with aggregate data only will not allow for analysis of the range of impacts on different IORPs. Therefore, a much longer timescale should be allowed for completion. Further, we are concerned that the complexity involved in the	Noted. EIOPA considers that more QISs are needed

			QIS and the proposals to run it via regulatory bodies will mean that IORPs themselves are unlikely to perform QIS calculations. Therefore the QIS will fail to quantify one very important impact, i.e. whether a Solvency II style IORP directive would actually be workable in practice without significant cost and the need for vastly expanded regulatory supervision in member states.	
48.	Mercer Ltd	Q1.	Do stakeholders agree with the general set-up of the QIS exercise as put forward in the Introduction (Chapter 1)? What improvements do stakeholders suggest? We have specific practical and technical reservations over the methodology presented in the consultation document, which we address in subsequent questions. However, overall we have concerns over the way the review of the IORP Directive is being carried out and how the results of a QIS carried out in accordance with the proposals in the consultation document would contribute to an already dysfunctional process. It is, of course, important to understand the likely affects of regulatory policies as they are being developed and before they are implemented. However, it appears to us that the policy has already been developed and that the QIS effectively implements the policy, by setting out the general principles that it is intended should be followed. We are particularly concerned because: ☐ The process set out is derived apparently without considering the consequences of the various measurements (in	Noted. Solvency II based approach follows from Commission's CfA There is not enough information at this stage to specify supervisory responses EIOPA considers that more QISs are needed Commission's will conduct comprehensive impact assessment after QIS Sponsor support section will be further developed Aggregation does not preclude showing different categories

			particular the financial strain, measured as a percentage of earnings or cash-flow that is caused on sponsors through the requirement to fund past and future service benefits), so that in fact it is not possible to determine what their quantitative impact would be; ☐ Similarly, without knowing how actuarial information will be used, it is impossible to determine whether the approach determined for collecting that information is appropriate; ☐ The approach and parameters have largely been drawn directly from QIS 5 for insurance companies, with very little regard given to the particular circumstances of occupational pension schemes and also apparently ignoring the continuing developments to Solvency II; ☐ IORPs are not capital raising entities and this fundamental difference between them, and insurance companies, appears to have been ignored. In particular, it appears to us that very limited consideration has been given to the measurement of employer covenant and other security mechanisms available to IORPs; ☐ Given the limited resources and budgets available to most IORPs, the QIS is likely to attract responses from larger institutions, such that a biased view is created. ☐ Our understanding of the development of Solvency II is that there is no consensus that its quantitative aspects will result in the most desirable regulatory framework for the insurance industry. In view of this, it seems hasty to attempt to apply the same principles to IORPs, particularly when they have not been designed with the conditional and sometimes contingent nature of occupational pension scheme benefits in	

			mind. ☐ Further, no account is taken of the fact that insurance companies and pension funds are major providers of capital to the markets, and if all of these measures seek to harmonise (across the financial services) the incentives that inform this interaction, this serves to direct markets to behave in a particular way, which is likely to create instability. In other words, the QIS seeks to determine a first order effect without any consideration of second order effects that could be far more serious in terms of their implications for retirement provision. ☐ Although the importance of sponsor convenant to some IORPs seems to have been recognized, no account seems to have been given to the very different structures that employers have. Many companies, for example, those that are privately owned, have no obligation to share information publicly or with the IORP they sponsor. This makes it impossible to require IORPs to follow out the processes descriebd in the QIS, without interfering with the employer's legal status. ☐ Considering the effect of the QIS in aggregate is likely to be misleading, since it will hide the different benaviours of those IORPs who are relatively stronger funded compared to those that are weakly funded. In particular, the former might continue to demand additional funding due because it is affordable to the employer, whilst the latter might be unable to do so. ☐ Affordability for the employer, and the constraints it imposes, has been ignored.	

			Our view is that the QIS would have been improved by considering a wider range of possibilities, each with clear objectives and outcomes. It would also have been preferable in our view to invest less effort in detail at this stage, and more in the design of the different possible regulatory regimes such that the end result is to be roughly right rather than exactly wrong.	
49.	National Association of Pension Funds (NAPF)	Q1.	Do stakeholders agree with the general set-up of the QIS exercise as put forward in the Introduction (Chapter 1)? What improvements do stakeholders suggest? The NAPF has serious concerns that the set-up of the QIS exercise is not fit for purpose. Six-week consultation period inadequate The six-week period allowed for the present consultation is completely inadequate for careful consideration of the complex issues raised. It does not allow stakeholders to get detailed input from technical experts. ☐ NAPF recognises that EIOPA's timetable is largely driven by the European Commission's objective of delivering a draft Directive by summer 2013. But EIOPA – as the EC's adviser – should make it clear that more time is needed to test policy options and develop a sound policy proposal.	Partially agreed. EIOPA agrees more QISs are needed There is not enough information at this stage to specify supervisory responses Sponsor support section will be further developed EIOPA will reconsider its advice after the QIS

			☐ The European Commission's 'General principles and minimum standards for consultation of interested parties by the Commission'┐ stipulate a minimum of 8 weeks for consultations. The present consultation is in breach of the EC's own standards. Getting the QIS right – several rounds required The IORP Directive review could set the framework for pension scheme funding and regulation for many years to come. These are very significant issues with consequences for savers, investors and the EU's economic prospects. It is vital to take the time to get them right. This should involve a number of rounds of QIS. · The Holistic Balance Sheet proposal raises completely new concepts that require far more detailed consideration than is possible within the current timetable. For example, the valuation of sponsor covenant and pension protection schemes presents completely new challenges that should each be the subject of a separate QIS. In fact it is apparent that EIOPA has had to develop a brand-new methodology for the valuation of these elements, and it is not clear that this is the methodology that would actually apply if the Holistic Balance Sheet were to be adopted in the IORP Directive. · EIOPA is right to note (at para 1.9.1 of the consultation paper) that the Solvency II Directive for insurers has been in	

			development for over 10 years and has taken five QIS exercises. The issues for IORPs are more complex, not least because the proposed regime would represent a greater change from pensions schemes' existing practice than Solvency II did for insurers. EIOPA should advise the EC that further QIS exercises may well be necessary, for example, on Pillar II or Pillar III-related issues or if the final methodlogy is different from that currently proposed. ☐ The proposed QIS methodology does not address the most important question – how will the Holistic Balance Sheet be used in practice? If it is to replace the existing scheme-specific funding regime in the UK, then clarity is needed about what kind of recovery periods will be permitted, tiering of assets and what funding levels will need to be targeted. This would have a direct and very significant impact on pension scheme and corporate finances. ☐ The QIS methodology does not explain how multi-employer schemes would be treated within the Holistic Balance Sheet. There are particular, complex challenges in measuring sponsor covenant in these schemes. ☐ No guidance is provided on how covenant should be measured in those schemes that are partly or entirely in the public sector and which have some degree of government support. Employers such as universities have an important – if intangible – degree of government backing that is not currently	

			reflected in the Holistic Balance Sheet. Once again, these issues should be fully examined in a future QIS. ☐ This proposed QIS falls between two stools. It is contains too much technical detail to warrant the very short 6-week timeframe for responses, but it does not examine the issues as thoroughly as the QIS for Solvency II, which is now in its fifth round – especially in the novel areas of valuation of sponsor covenant and pension protection schemes. A comprehensive QIS ☐ NAPF notes (para 1.7.4) that national supervisory authorities will be given freedom to decide whether the QIS should be performed by IORPs, by supervisory authorities, by actuarial firms or by a combination of all three. The NAPF is concerned that, in the UK, the Pensions Regulator is planning to conduct the QIS itself. Although the Regulator plans to involve IORPs in this work, IORPs will not be able to respond to the QIS themselves. EIOPA should ensure that the national supervisor cannot block IORPs from participating in their own right ☐ NAPF proposes that a genuinely 'holistic' assessment of the security of any particular pension scheme would look, not just at the purely financial issues covered by the Holistic Balance Sheet, but also at the quality of scheme governance and the manner in which the scheme communicates with	

			members. ☐ EIOPA should examine alternatives to the Holistic Balance Sheet. These could include Asset Liability Management Studies (ALMs), stress tests and scenario analysis.	
50.	National Grid	Q1.	Do stakeholders agree with the general set-up of the QIS exercise as put forward in the Introduction (Chapter 1)? What improvements do stakeholders suggest? National Grid's view is that even if the concepts proprosed can be acurately defined and measured, the QIS will systematically underestimate the impact of Solvency II. This is for three reasons: ☐ The proposal does not take into account the effect of the proposals on future accrual costs of defined benefit schemes ☐ The proposal ignores the dynamic feedback loop between pension scheme solvency regimes, financial markets and resulting solvency levels ☐ The effect at an aggregate National level will be worse than the sum of the individual IORPs due to Trustees being unwilling to reduce contributions from employers with better solvency levels under a holistic balance sheet approach than	Noted. Questionnaire will include questions on impact and potential policy reactions There is not enough information at this stage to specify supervisory responses Commission will undertake wider impact assessment after QIS Aggregation does not preclude showing different categories

			existing national regimes These topics are examined in further detail below along with suggested remedies. National Grid understand that the intention of the QIS study will be to assess the impact of the holistic balance sheet proposals and compare the resulting funding surplus to existing national regimes: "I.8.2 EIOPA intends to measure the quantitative impact of its advice on IORPs by comparing the capital surplus under the holistic balance sheet approach with the surplus under the existing national regimes." National Grid do not believe that this intention is sufficient for the Quantitative Impact Study to adequately inform the policy making process. Firstly, the Quantitative Impact Study at no stage asks IORPs to assess the effect of the holistic balance sheet approach on the costs of providing new benefits through future accrual. By way of example, the increase in National Grid's liabilities each year due to future service could rise from 32% of pensionable salary to 70% if it was required to cover level A liabilities plus a risk margin. Therefore, even if the proposals make no change to the	

			level of surplus for past liabilities, the doubling of the cost of future accrual would still in National Grid's view lead to wholesale closure of DB schemes to existing and new members across the EU. Furthermore, we believe these closures would occur once the solvency requirements are announced, rather than implemented, as companies would act immediately to prevent the accrual of additional liabilities which will ultimately be valued on a Solvency II basis. It would appear that the only scenario in which this would not be the case would be where the revised arrangements generally resulted in such substantial positive surpluses on a Solvency II basis that there was no risk of having to contribute additional capital. (In that scenario the main impact of the proposals would simply be to add an unnecessary layer of bureaucracy.) As a result, National Grid is concerned that the failure to take into account the impact on the costs of future accrual will result in a substantial underestimate of the impact of the proposals on future provision of DB benefits. We would recommend adding a further element to the "unpacking" highlighted in I.8.4. This section should show the impact of the proposals on the marginal cost of future accrual. We would suggest asking IORPs to assess the impact of the proposals on the costs of future accrual and whether the IORPs will have a positive surplus of less than 25% of liabilities. We would then recommend that in presenting the quantitative impact of the proposals, EIOPA highlight the proportion of schemes facing a cost increase of more than 5% of pensionable pay and with less than a 25% positive surplus and suggest that these schemes are likely to close to future accrual for both new and existing members as	

			soon as the proposals are confirmed. Clearly these closures would have widespread social costs as the affected members would struggle to find affordable alternatives to replace the lost income at retirement. Secondly, the proposals provide no means to assess the impact of the proposals on financial markets, and are therefore likely to overestimate the funding position of schemes once the proposals are implemented. It is evident from the QIS that if a solvency regime similar to that proposed was implemented, pension schemes and sponsors would have strong incentives to change their investment strategies by taking out swaps and other risk reduction strategies, as the risk capital margin would reduce and with it the overall capital requirement. The size of the DB pension sector in the UK in particular is large and this is likely to severely distort the equity, gilt and swaps markets. This would result in a large negative shift in the level of overall surplus in DB schemes as gilt and swap rates fell. Consequently, National Grid is concerned that the impact of the proposals in practice will be significantly worse than the impact on 31st December 2011 as EIOPA will not have adequately understood the feedback loop between pension scheme solvency regimes, gilt and swap prices and resulting funding levels. National Grid would recommend that a survey of large schemes is undertaken to understand the difference in gilt and swap holdings between the current position and a position that optimises the capital risk margin under the proposals.	

			Econometric analysis could then be used to understand the likely effects of the proposals on gilt and swap pricing. The results of the QIS should then be adjusted to reflect the likely changes in market conditions that will result from the proposals. The proposals would also result in a very substantial misallocation of capital across the whole economy and a comprehensive QIS would attempt to quantify these effects as well as the impact on schemes directly. In addition, National Grid is concerned by the way that EIOPA intend to present the data in an aggregate format for member states as a whole, as suggested in paragraph I.8.1 "The final report will assess the quantitative impact of EIOPA's advice…..on IORP's in each member state. The outcome of the QIS exercise will be presented in aggregated form, which means that …figures will be grossed up to a National level." Again, this approach risks significantly underestimating the impact of EIOPAs proposals. National Grid believes that the proposals could suggest certain schemes need a lower level of direct funding than under current regimes. This would seem to be possible under a holistic balance sheet approach where a company has a very strong sponsor covenant, which would offset the need to provide additional assets to the pension scheme itself. In practice, we	

			believe that Trustees would not reduce the requirement for sponsor support as a result of the proposals and would instead demand support at least to the level of the pre existing regime. On the other hand, certain other companies with weak covenants are likely to face a significant increase in capital requirements. We would expect trustees to demand that these are met. As a consequence, the aggregate result of the proposals at the National level will be worse than the sum of individual schemes as schemes facing an improvement in their funding position are unlikely to see the full benefit whilst schemes whose position worsens will be required to provide additional capital in full. As a result, we would recommend that when assessing the aggregate effect of the proposals the improvement in any individual schemes funding level should be limited to ten percent, whilst all schemes that suffer a deterioration in scheme funding should be included in full. A comprehensive QIS would also assess the effects on jobs and growth of additional funds being put into pension schemes and weak employers being declared insolvent due to their pension obligations. Overall therefore, National Grid is concerned that the Quantitative Impact Study as proposed will result in a substantial misrepresentation of the likely impact of the proposals and lead to misguided policy decisions.	
51.	Pension Protection Fund, UK.	Q1.	While we welcome EIOPA's suggestions for simplifications, and in principle support a flexible approach to calculations where possible, allowing IORPs to select from multiple simplifications	Noted. IORPs are allowed to

			does give rise to a conflict with the overall objective of harmonising approaches across IORPs and member states. IORPs by their nature are extremely diverse and it will inevitably be challenging to design a regime which caters for all IORPs. This is particularly pertinent to the UK, where there are currently around 6,500 DB pension schemes with their own individual structures, sponsors and advisers. However, we are concerned that there will be little value in comparing HBSs for different IORPs if they have taken substantially different approaches to deriving the HBS. It may therefore be worth considering requiring all IORPs to adopt the various simplifications available, to ensure a more consistent and workable approach.	adopt simplifications that are proportionate to nature, scale and complexity of underlying risks. This implies that outcomes should not deviate materially from true value
52.	Punter Southall	Q1.	Do stakeholders agree with the general set-up of the QIS exercise as put forward in the Introduction (Chapter 1)? What improvements do stakeholders suggest? No – we consider the general set-up of the QIS exercise as put forward in the Introduction (Chapter 1) to be unfit for purpose. We believe that the "impact" element of the QIS has not been considered sufficiently and it would appear that the QIS is more akin to a Quantitative Assessment Study than an impact study. It is impossible to draw a meaningful conclusion when the regulatory outcome of any holistic balance sheet calculations are unknown. In the absence of information on any increased capital requirements, it is impossible to comment on the proposed calculation methodologies. Further, the proposed calculations are complex and the length	Noted.

			of the consultation period is inadequate to consider all of the proposals in detail. We also consider the inclusion in the QIS of methodologies which may not ultimately be adopted for the sponsor covenant and pension protection scheme elements of the holistic balance sheet to be pointless. If these methodologies are not to be adopted, then there seems little value in providing detailed responses to these elements of the consultation.	
53.	Railways Pension Trustee Company Limited (RPTCL)	Q1.	RPTCL notes that the QIS specification, as drafted, does not set out the consequence of a holistic balance sheet not being balanced. Such a scenario seems quite possible for IORPs and, in general, they cannot raise additional capital other than from sponsor support, which would not improve the holistic balance sheet position. In addition, the QIS does not appear to address the impact of the additional expenses that IORPs and their sponsoring employers would incur relating to the implementation of a holistic balance sheet approach to pension scheme funding. The additional expense burden can be expected to be significant and should be captured within the QIS. It is also noted that section 1.9 is titled 'First QIS for IORPs'. We hope that any consequences unforeseen at the outset of this QIS can be considered in further QISs and used to refine	Noted. There is not enough information at this stage to specify supervisory responses The qualitative questionnaire will address the practicability of calculations EIOPA agrees more QISs are needed

			development plans for any revised IORP Directive. This approach would ensure that any issues emerging are addressed prior to implementation and would appear to mirror the approach used in the the development and implementation of Solvency II for insurers.	
55.	RWE Pensionsfonds AG	Q1.	The whole calculation should be more simple. A lot of details imply that these definitions make the calculations more correct, but it is unclear whether more complex formulas help to provide the right understanding, management and results in the sense of the goals of the EU Commission. As to the scope of QIS: There are IORPS in Germany (Pensionsfonds ohne versicherungsförmige Zusagen) essentially serving as funding vehicles for the (as a rule defined benefit) pension promises of the sponsoring companies. From the IORP's perspective, these IORPs do not provide any guarantees neither to participants nor to plan sponsors. According to I.3.1 this type of IORP is excluded from the QIS as a pure defined contribution scheme. It should be made clear that the HBS approach does not apply to defined contribution schemes as specified above. For hybrid schemes (e.g. purely defined contribution during the phase of capital accumulation and guarantees for the benefits in payment) there should be more guidance how to apply the stipulations for the HBS. For instance it seems not clear whether the QIS should only be applied to the part with	Noted. Some areas of technical specifications have been simplified, other areas will be further developed The plan member perspective should be taken when assessing existence of guarantees. Categories have been reduced to two: pure DC and other. There is not enough information at this stage to specify supervisory responses Sponsor support section will be further developed

			guarantees or to the scheme as a whole. Generally we do not believe that the Solvency II based QIS exercise will provide adequate information for EIOPA to form a reasoned conclusion about the impact. In our opinion, as a minimum prerequisite there should be a founded idea about • possible regulatory actions emerging of a HBS underfunding and • a greater variety of ways of sponsor support should be considered.	
58.	Tesco Plc	Q1.	The consultation period is far too short for such complex and lengthy proposals Six weeks is far too short a consultation period for such important policy proposals which have significant implications for employers, pension holders and the EU's 2020 growth agenda. Given the length and complexity of the consultation document, there is simply insufficient time for stakeholders to be able to fully understand and analyse the complex calculations put forward in the Holistic Balance Sheet (HBS). This is particularly the case where entirely new concepts have been proposed, such as how to value the sponsor covenant and pension protection schemes. These aspects could be addressed in a QIS in their own right given their significance to IORP scheme security. Furthermore, we wish to record that the consultation fails to	Noted. EIOPA agrees more QISs are needed There is not enough information at this stage to specify supervisory responses

			meet the Commission's own general principles and minimum standards for EU consultations, which stipulates a minimum of 8 weeks┐ . The wider IORP Directive review process is being rushed and is not conducive to sound policy making We are concerned that the wider IORP Directive review process is being rushed and will not lead to carefully considered legislative proposals. The Holistic Balance Sheet and proposals concerning Pillar 2 and Pillar 3 of the Solvency II Directive raise many challenging issues which require more detailed examination through several rounds of QIS. Indeed, EIOPA has carried out no fewer than five QIS exercises in its assessment of the impact of the Solvency II Directive on the insurance sector. Given we are dealing with the same substantive matters – capital adequacy and risk management requirements – with the additional complexity of valuing sponsor support and the PPF, there is no reason why pension funds should not be given the same careful consideration. It may also be prudent for the Commission to complete its impact assessment of the Solvency II Directive on the insurance sector before proceeding further with the IORP Directive review. The Solvency II Directive is still a work in progress and many would agree it has not been a smooth process. Given the importance of pension funds to future economic growth and investment, it would be sensible to wait	

			until Solvency II has been properly implemented by member states. In this regard, we are pleased that Commissioner Barnier intends to publish a Green Paper on the impact of financial regulation on the insurance sector's ability to make long-term investments. It is vital that any future EU regulation does not impede pension funds from providing and channelling long-term investment. The consultation fails to indicate the real impact of the Holistic Balance Sheet on pension scheme funding It is impossible for stakeholders to make sensible judgements on the QIS methodology and give robust responses without knowing how the HBS would work in practice. The consultation simply sets out the methodology and formulae for the valuation of assets and liabilities, without stating the implications of using these calculations: what funding actions would Trustees or employers have to take if the HBS did not balance, and within what timescales? There is also no indication of how the HBS would affect current funding requirements in the UK and in specific IORPs. EIOPA should take a principles-based approach to funding requirements, leaving implementation to individual member states	

			The task of devising a robust funding methodology that caters for different markets, types of pension provision and legal frameworks across 27 national pension systems is a Herculean one. EIOPA would be better placed to set out a broad framework and allow individual member states to implement these principles. This would ensure that the funding requirements are flexible enough to allow for both pension system differences between member states and differences between individual IORPs. It would also keep costs and time dedicated to these calculations to a minimum, as they could be integrated into existing funding requirements.	
59.	TOTAL	Q1.	Do stakeholders agree with the general setup of the QIS exercise as put forward in the Introduction (Chapter 1)? What improvements do stakeholders suggest? We would like to thank EIOPA for its thorough consultation exercise. However, rather than going into the details of how the QIS should be operated, we would like to make a number of general comments : ☐ First of all, we cannot help noticing that a lot of the proposed technical specifications are heavily inspired from the	Noted. Resemblances with Solvency II follow from Commission's CfA EIOPA will reconsider HBS approach after the QIS

			Solvency 2 framework for insurance companies, even though the Commission had said the rules for IORPs would not be just cut and paste from Solvency 2. We obviously regret this back-tracking. ☐ Second, the level of detail in the consultation is well beyond the capabilities of most international companies who sponsor pension funds. This would probably have made sense in the financial sector where the relevant expertise is to be found. Again, this appears to show a desire to borrow from financial services regulations and apply them to pensions. Accordingly, we believe the technical specifications are designed in such a way that interested parties will not be able to comment properly. Finally and more importantly, we question whether any additional capital requirement for pension funds is required and thus whether the QIS will serve any purpose at all. We will focus our comments in this area. Indeed, we understand the motivations for instituting additional capital requirements borrowing from the Solvency 2 approach to be as follows : 1. Ensuring level-playing field with insurance companies We acknowledge some particular IORPs may be in the same situation as insurance companies offering pension services on the competitive market. However, for the vast majority of IORPs, such as our company's pension fund, we believe this comparison with insurance companies is entirely inappropriate :	

			our pension fund is not operating on the commercial market, it is not intended to make a profit. It is solely a human resource vehicle which is one component of a comprehensive package of benefits our company offers to its employees. As such, pension benefits afforded through our fund are the result of collective bargaining as part of broader labour considerations, they are not designed to compete with insurance companies. These arrangements will obviously change over time and they include important risk-sharing and risk-mitigating elements which make them very different from a private insurance contract: possibility to amend contributions paid by employees or employers, to amend benefits, to amend indexation, pension protection schemes etc. In addition, contrary to insurance companies operating various kinds of risk coverage, pension funds only cover one situation, the payment of pensions (no fire insurance, no car insurance etc). In this area, the need for capital outflow is more predictable, because the date of the occurrence is known in advance, i.e. when an employee reaches retirement age. Therefore, market-based and volatile risk measures, like Value at Risk, seem highly inappropriate for pension scheme monitoring. The Commission could usefully consider the models that have been developed recently in other OECD countries. The United States are a good example, which our company knows well as our local subsidiary holds significant defined benefit commitments. The Pension Protection Act (PPA) of2006, aims to secure pension scheme funding. Yet its framework is neither derived from insurance regulation nor based on market-related risk measures. The PPA enhances funding requirements but	

			allows pension schemes to use smoothed technical rates and smoothed asset value as a means to amortise market shocks and to keep a long-term view in pension management. Ideally, the Commission could also consider the different models already available within the Union and build up on this long experience together with the pension community instead of applying a Solvency II model that has not been designed for IORP in the first place. 2. Ensuring future sustainability of pensions We are not aware of any systemic risk weighing on pension payments. It seems to us that there already are mechanisms in place to ensure pensions are duly paid by pension funds or their sponsoring companies, such mechanisms vary from one country to the next but are in line with local pension practices. For instance, for defined benefit schemes, there is an unlimited last resort guarantee from the sponsoring employer (UK, Belgium, Germany) and sometimes also a national safety net sponsored by all pension schemes (UK, Germany). In addition, even assuming there was such an issue as systemic risk of pensions not being paid out, we do not see how a capital requirement would be helping towards resolution. In fact, the cure would be worth than the illness in this case : the more money companies have to tie up to pay pensions, the more their financial viability will be threatened.	

			We believe the best form of protection to member benefits is a strong, solvent employer and confidence between contributors. We believe the attempt to impose higher solvency requirements would weaken the sponsoring employer as a Solvency 2 type regime would unnecessarily increase pension liabilities and thus funding requirements, far in excess of the actual payments required to pay out pensions. This would indeed : ☐ Significantly increase employment costs in Europe for lots of employers, as well as employee contributions; ☐ Force employers to reduce benefits or even to stop providing occupational pensions, which contradicts the objective set in the White Paper to develop occupational pensions in Europe as a remedy to declining Social Security pension schemes; ☐ Force European companies to reduce value adding and job creating investments because of unnecessary contributions into pension solvency buffers, which are likely to be irrecoverable once all pensions will be paid; ☐ Impose a significant competitive disadvantage to European companies / employers in the absence of any comparable solvency regulation internationally; ☐ Force European pension funds, which are long-term investors to divest from equities and eventually also from corporate bonds, thus creating a financing issue for corporates in Europe. Therefore, we strongly believe that the existing regulatory	

			environments in our nations provide a strong framework to protect pension scheme members and pensioners. However, we are open to improve if necessary, some qualitative criteria to reinforce confidence of all stakeholders of the pension funds. 3. Facilitation of cross-border pension funds We understand the Commission would like to see more of those EU-wide pension funds. We believe those already exist in the form of a given company pooling resources together to fuel several different national funds. However, what does not exist is a pension fund operating across several countries where the level of defined benefit is the same for all those countries. While the Commission may consider this as desirable, this is not doable in a situation where tax & labour law is widely different from one EU member State to the next. Our company operates a compensation policy which is adjusted and differentiated in each of the EU countries where we operate, by virtue of the fact that market conditions are different, but more importantly that tax & labour law provisions are vastly different. Since we cannot possibly offer a harmonized package of benefits to our employees across the EU because of these differences, differentiated pension benefits follow the same logic. Thus, the lack of cross-border pension funds is not caused by the absence of proper EU regulatory framework on pension funds, it is caused by fundamental disparities between the national labour markets.	

			Further, even assuming EU regulation was required to foster cross-border pension funds, we do not see how imposing additional capital requirements would make cross-border funds any easier? Given the above considerations, we do not see that any additional capital requirement for pension funds is required, whether drawn from Solvency 2 or otherwise. The case for reform is not clear. Therefore, we do not think it is appropriate for our company to be offering views on the QIS, since ☐ the very purpose of the QIS and its underlying reform proposal is in doubt ☐ the template for comments is inappropriately drawn from the financial sector.	
60.	Towers Watson B.V.	Q1.	Do stakeholders agree with the general set-up of the QIS exercise as put forward in the Introduction (Chapter 1)? What improvements do stakeholders suggest? We have raised a number of general concerns with the approach in our general comments. Based on our experience with insurers related to Solvency 2, we expect that only the very largest schemes will be able to provide the information requested in the QIS to the full detail.	

61.	Towers Watson GmbH, Germany	Q1.	We believe that the consultation has a number of fundamental weaknesses that we believe should be mentioned: 1. The European Commission has rightly put the quest for a framework for enhancing adequate, safe and sustainable pensions in Europe on its agenda. We feel that the unflinching drive towards a Solvency II-based regime for IORPs may come closer to achieving one of these targets (safety), albeit to the detriment of the other two (adequacy and sustainability). 2. No reason is given for the excessive haste that EIOPA is demonstrating by deciding to contract the normal three month consultation period by 50%. The only reason given, namely the "imposition of an external timetable", does not really sound sufficiently convincing. Bearing in mind the significance of the exercise for both beneficiaries and employers, the time allowed for comment is bafflingly short. The self-imposed timeframe has led to "slips of the pen" on the part of EIOPA: for example, it appears that references to subsections in QIS5 for Solvency II were copied into the IORP document where they are meaningless – for example, in SCR 5.82, reference is made to subsection V.1 which only exists in QIS 5. 3. However well-intentioned the objectives of EIOPA and the Commission are, we believe that the wider economic effects of the actions being planned are not being exposed to sufficient scrutiny. For example, it is a well-known fact that most employers have restructured their defined benefit (DB) plans in the last two decades into defined contribution (DC) or	Noted. There is not enough information at this stage to specify supervisory responses EIOPA will reconsider HBS approach after the QIS

			contribution-based (C-B) plans that grant, in general, less generous benefit levels than those promises made in the 1960s through to the 1980s. Most DB plans are thus in the run-down phase right now, so that the solvency requirements being proposed are "benefiting" a generation that has been granted higher levels of benefits than the following generation. Are the proposals being made not skewing this intergenerational imbalance even more? 4. We see our scepticism - as expressed in our first submission to the Commission's Call for Advice – confirmed, namely that both the Commission and EIOPA are not taking due account of the differences between insurers and IORPS. These were fivefold: a. Business model b. Ownership structure c. Legal framework in respect of the underlying contracts d. Diversity in size of operation, benefits granted and environments in which they operate e. Risk profiles An example in connection with (a) above might make some concepts in the pensions' industry clearer: In many cases (in Germany this is always the case) the pension promise - or informal practice that turns into a constructive obligation – is an obligation that is legally required to be fulfilled by the employer. Legally therefore, the obligation is subject to labour law and not commercial contract or insurance law; the IORP only acts as an agent of the sponsor in fulfilling his	

			obligation. The obligation itself is not thereby fully discharged to the agent. The role of the IORP therefore is not to be a player in the pension product market. Attempting to achieve a level playing field between IORPs and insurers is therefore futile, because (to stay in the analogy) the two are playing different games on different fields. The question to ask is whether it is politically desirable to give up one game up in favour of the other, thereby forcing a single game on a single playing field. 5. There are a number of difficult questions that require answering in respect of the characterisation of an IORP's benefits into "unconditional", "pure conditional", pure "discretionary" and "mixed" benefits. The rushed answers that can be expected to be given to these questions may turn out to be very different under thorough scrutiny. 6. We do not believe that it is fair on those IORPs participating in this consultation to provide answers to complex questions when the regulatory regime as such has not been presented in its entirety. For example, we understand that there is no mention of what measures are to apply if an IORP has insufficient capital when analysed by means of the HBS. 7. We believe that it is obvious that the additional cost of providing the information required will be significant in comparison with the benefit expected. We believe that this cost-benefit analysis can be made before actually incurring the additional cost. 8. We believe that the consultation document would be significantly enhanced if it would include examples so that respondents have more than a theoretical and abstract concept to comment on.	

			9. The calculations being required by EIOPA are no doubt complex. In fact, they appear to be more complex than those required for insurers, since the IORP requirements are those surrounding the Holistic Balance Sheet in addition to (largely) those required under Solvency II. We consider that our letter of 11th June 2012 to Commissioner Barnier outlining a proposal for a new regulatory framework is more feasible to implement because it is less costly and more efficient in developing a common approach to regulation in Europe.	
62.	Towers Watson UK	Q1.	Do stakeholders agree with the general set-up of the QIS exercise as put forward in the Introduction (Chapter 1)? What improvements do stakeholders suggest? Our general comments above raise a number of concerns about the general scope and set-up of the QIS. We can see that the QIS may result in the production of some useful data but we cannot conclude that the QIS specification is 'fit for purpose' without clarity about the regulatory actions that would accompany any change to the solvency regime for IORPs. What will the consequence be if the HBS does not balance (ie assets do not cover liabilities, taking into account all security mechanisms)? We have carried out QIS specification calculations on some 'real' UK IORPs. One aspect that this has revealed is that capping sponsor support (as described in HBS.6.45 to HBS.6.54) and the value of pension protection schemes (as	Noted. EIOPA agrees more QISs are needed There is not enough information at this stage to specify supervisory responses IORPs must take into account reduction of benefits on liability side if PPF does not guarantee full benefits Aim of QIS is also to test practicability and costs of calculations

			described in HBS.6.75 to HBS.6.78) restricts the asset side to a maximum equivalent to the Level A technical provisions (ie best estimate of cash flows plus the Risk Margin). Although additional sponsor support and pension protection scheme coverage can then reduce the SCR, or eliminate it, the HBS will never balance unless the pension protection scheme provides 100% coverage (or unless the physical assets in the IORP already exceed the Level A technical provisions plus the SCR). Is this the intention? If so, this supports our view that the SCR has little or no relevance to UK IORPs. UK IORPs cannot raise additional capital other than from sponsor support, which would not improve the HBS. Moreover, some IORPs operate on the basis of defined benefit accrual costs being shared between members (participants) and the sponsor. Any increase in cost could, in such cases, render membership unaffordable to some participants, forcing them to opt out. We consider this to be an undesirable outcome. Unless there are positive actions that can flow from consideration of the HBS, without adverse consequences for jobs, growth and investment markets, then we do not see the merit in imposing a complex and costly regulatory regime. The proposed calculations are very complex, with multiple iterations such as calculating the SCR three times: gross, net of the loss-absorbing capacity of security mechanisms, and net of the loss-absorbing capacity of technical provisions. Our experience with helping insurers through the various QIS stages of Solvency II and our work on carrying QIS 'consultation' specification-based calculations for several UK IORPs leads us to consider that it is unlikely that many UK IORPs will have the ability or resource to carry out their own QIS process sufficient	EIOPA will reconsider HBS approach after the QIS Sponsor support section will be further developed QIS includes sensitivity analysis with regard to discount rate

			accurately to adequately inform responses to this consultation. We also doubt that many (if any) UK IORPs will currently have data to the required level of detail to be able to carry out these calculations, or to demonstrate the reliability of simplifying models. We know that the UK supervisory authorities intend to carry out the QIS for UK IORPs in aggregate and, in such circumstances, it follows that supervisory authorities will similarly lack these detailed data. Aggregate results are unlikely to be a reliable indicator of the impact of the proposals and may well result in unrepresentative results and ill-conceived conclusions. Our experience of attempting to calculate results using the technical specification is that a number of sections are not sufficiently clear and that some logical interpretations can lead to unexpected outcomes. For example, the impact of the sponsor paying a contribution into its IORP should be to leave the overall HBS largely unchanged, or to improve it slightly. This is not the case in some scenarios, which can result in a higher shortfall in the HBS after payment of a sponsor contribution. We urge EIOPA to review the draft specification with a focus on ensuring that the proposals do not create inconsistencies potentially leading to undesirable incentives, such as to encourage deferment of contributions to IORPs. In order to provide balanced input into EIOPA's consideration of the practicalities, we urge EIOPA to gather data from Member States' supervisory authorities as to the actual cost to insurers of meeting the requirements of the Solvency II QIS exercises and the expected total cost of development and implementation of the Solvency II regime. Our own experience points to this running into many €millions and, as such, it is an essential	

			aspect to consider when assessing the likely impact. Finally, we strongly recommend that EIOPA and the Commission consider the alternative proposal put forward by Towers Watson in its letter to Commissioner Barnier on 11 June 2012, whereby no quantification of sponsor support and other security mechanisms would be necessary. Our view is that this aspect is currently subjective in nature and, coupled to assessing the effect on the SCR, contributes greatly to the complexity and therefore prospective costliness of the calculations . Our recommended approach would allow EIOPA first to gain significant experience with the diversity of pension arrangements in the European Union before imposing a regime that appears to us to be inappropriate for the objectives set. In our view, EIOPA should therefore: ☐ wait until the Solvency II details have been finalised before starting the QIS. We note the intention to allow for all developments in this aspect up to the start of the QIS, but we consider this does not go far enough. In particular, discussions on the 'matching premium' could have relevance to IORPs (provided the 'ring-fencing' condition can be made more workable). ☐ ensure the QIS takes account of the possible regulatory actions, in the event that the Holistic Balance Sheet does not 'balance'. Not to do so calls into question how an assessment of the 'impact' can be properly made ☐ consider the behavioural changes that are likely to follow the adoption of market consistent measures and review the QIS findings as a result of the corresponding changes to market yields	

			☐ consider alternative ways of taking sponsor support into account as our calculations evidence that there are some shortcomings with the proposals in the specification consultation ☐ back test the volatility of the quantitative information by reviewing the results of the Holistic Balance Sheet at different valuation dates Although much of the focus of the responses will, naturally, be considered in the context of the consequences for defined benefit provision (or, non 'pure' DC), EIOPA should bear in mind that any change in market/investment behaviour that, for example, increases the cost of 'low risk' investments, will also affect pure DC provision. Low risk investments typically form a core of DC provision in the years immediately prior to benefits being taken. Any reduction in the yields from low risk investments would be likely to impact negatively on DC retirement incomes and the amount of future DC pension provision.	
63.	Trades Union Congress (TUC)	Q1.	See our general comments for our opinion on the general set-up of the QIS exercise. We would like to add, however, that we are disappointed that this consultation asks stakeholder how to adapt to a Solvency II-derived regulatory framework rather than whether this framework is appropriate for occupational pension schemes, despite significant concerns raised by stakeholders in relation to EIOPA's advice to the European Commission. The fact that Solvency II rules themselves are yet	Noted. Solvency II based approach follows from Commission's CfA EIOPA will reconsider its advice after QIS Member state participation in the QIS

			to be fully resolved underlines the danger of EIOPA's approach. At the very least, the QIS and the current consultation should have taken place alongside or preferably before EIOPA's advice was submitted. We believe, moreover, that underlying need for a revised IORP Directive should have been established, or otherwise, before EIOPA was asked to advise the European Commission and/or undertake the QIS. Furthermore, given that only 8 of 27 Member States will participate in the QIS, and that in many countries the QIS will be performed by supervisory authorities relying on aggregate data, the representativeness of the QIS will be insufficient to justify a new IORPs directive. We also believe it is regrettable that first pillar issues, based on the Solvency II categorisation, are being decided upon before, and in isolation from, second and third pillar issues. It is particularly problematic that EIOPA is seeking to value sponsor support in isolation from governance rules, through which the relationship between scheme trustees and sponsoring employers are established. The complexity and novelty of the proposals mean that a number of rounds of QIS will be necessary. The holistic balance sheet is a novel and inherently complex concept, the application of which creates very significant issues for savers, investors and	is voluntary EIOPA agrees more QISs are needed There is not enough information at this stage to specify supervisory responses

			the EU's economic prospects. Moreover, a number of hugely important issues, such as recovery periods and the impact of the sponsor covenant rules on multi-employer schemes, have been overlooked. We are therefore alarmed that EIOPA intends to make changes to the IORPs directive based on a single QIS.	
64.	Universities Superannuation Scheme Limited	Q1.	Do stakeholders agree with the general set-up of the QIS exercise as put forward in the Introduction (Chapter 1)? What improvements do stakeholders suggest? We believe that the QIS specification as set out would produce results that would be misleading and non-representative, and the entire process of seeking to determine new funding arrangements for IORPs is entirely unnecessary and inappropriate. The Holistic Balance Sheet proposal raises completely new concepts that require far more detailed consideration than is possible within the current timetable. For example, the valuation of sponsor covenant and pension protection schemes presents completely new challenges that should each be the subject of a separate QIS, especially as the methodology for determining these components in the draft specification is seriously flawed in a number of respects. EIOPA is right to note (at para 1.9.1 of the consultation paper)	Noted. EIOPA agrees that more QISs are needed There is not enough information at this stage to specify supervisory responses Sponsor support section will be further developed

			that the Solvency II Directive for insurers has been in development for over 10 years and has taken five QIS exercises. The issues for IORPs are no less complex. EIOPA should advise the EC that further QIS exercises will be necessary. The proposed QIS methodology does not address one of the most important questions, which is "how will the Holistic Balance Sheet be used in practice?" If it is to replace the existing scheme-specific funding regime, then clarity is needed about what kind of recovery periods will be permitted. This would have a direct and very significant impact on pension scheme and corporate finances, and it is necessary to understand these issues now (and not later). The QIS methodology fails to explain how the study should be applied to multi-employer schemes and in particular the Holistic Balance Sheet proposal. For example, there are particular, complex challenges in measuring sponsor covenant in these schemes which appear to have been missed entirely. No guidance is provided on how covenant should be measured in those schemes that are partly or entirely public sector in nature, or which have some degree of government support. These issues need to be fully examined in a future QIS. We note that national supervisory authorities will be given	

			freedom to decide whether the QIS should be completed by IORPs, by supervisory authorities, by actuarial firms or by a combination of all three. We understand that, in the UK, the Pensions Regulator is planning to conduct the QIS itself, and this gives us concerns in that there are a number of places where the QIS makes it clear that the IORP must decide on the appropriateness of the methodology to its particular situation. We would ask EIOPA to ensure that IORPs can participate in their own right.	
65.	UVB Vereinigung der Unternehmensverbände in Berlin	Q1.	No, we do not agree with the general set-up of the QIS exercise. This because of the following three reasons: 1) The QIS will not give all necessary insights for IORP II ☐ If this is the only QIS before the proposal of IORP II by the European Commission (as indicated by the European Commission), for sure not all relevant questions can be directed and clearly answered in one run. EIOPA should ask for even more information than it is already going to do in the complex QIS. ☐ There is the risk that IORPs will not have enough time to be – and certainly are at the moment not – sufficiently equipped to reply (leading to a limited number of replies). Focus of responses will be on the technical details and not on general concept and usability of holistic balance sheet. ☐ The resources needed to run a QIS style solvency process will be very expensive to the majority of IORPs (proportionality). Therefore, those that participate will be a	Partially agreed. EIOPA considers more QISs are needed Member state participation in the QIS is voluntary Some areas of technical specifications have been simplified, other areas will be further developed IORPs are only expected to calculate limited number of scenarios

			biased sample of large pension plans – those that can easily absorb the cost. 2) The representativeness of the QIS is insufficient for an IORP II proposal by the EC: ☐ Only 8 out of 27 Member States will participate in the QIS. ☐ Municipal/Local Authorities pension schemes are not included, although these are significant providers of second pillar pension schemes. ☐ In some Member States the QIS will not be performed by IORPs, but by supervisory authorities which are using aggregated data (or it is done by actuarial firms on behalf of the supervisory authority). However, it is our opinion that EIOPA and the Commission can only have a good indication of the real impact when the QIS will be performed by IORPs (instead of hypothetical schemes). ☐ The use of aggregated data makes the comparison between funds and countries distorted and it will be very hard for EIOPA to have an adequate overview of the sensitivity to the assumptions. ☐ If IORPs will not participate in the QIS, they will also not be able to respond (properly) to the qualitative questionnaire, while it is the purpose of the qualitative questionnaire to obtain an assessment by the IORPs of the clarity of the technical specifications, the quality of inputs and results, the methodology of the QIS, the practicability of the calculations involved and the use of simplifications. In addition, IORPs will	

			be invited to give a first impression of the outcomes of the QIS and the potential policy reaction by the IORPs and other stakeholders. 3) This exercise is very exhaustive: ☐ The exercise is dependent on many – debatable – assumptions like stable correlations, normal curves, absence of tail-risk and the ability for analysts to accurately predict the future. ☐ The underlying principles of the Holistic Balance Sheet are based on full market valuation and a Value at Risk (VaR) methodology. However, based on the experiences over the last years, there are some second thoughts if this kind of models should be still applicable. ☐ We have identified 972 scenarios that IORPs will be expected to compute. Many will not have inputs in the appropriate format.	
66.	vbw – Vereinigung der Bayerischen Wirtschaft e. V.	Q1.	No, we do not agree with the general set-up of the QIS exercise. This because of the following three reasons: 1) The QIS will not give all necessary insights for IORP II ☐ If this is the only QIS before the proposal of IORP II by the European Commission (as indicated by the European Commission), for sure not all relevant questions can be directed and clearly answered in one run. EIOPA should ask for even	Partially agreed. EIOPA considers more QISs are needed Member state participation in the QIS is voluntary Some areas of technical specifications

			more information than it is already going to do in the complex QIS. ☐ There is the risk that IORPs will not have enough time to be – and certainly are at the moment not – sufficiently equipped to reply (leading to a limited number of replies). Focus of responses will be on the technical details and not on general concept and usability of holistic balance sheet. ☐ The resources needed to run a QIS style solvency process will be very expensive to the majority of IORPs (proportionality). Therefore, those that participate will be a biased sample of large pension plans – those that can easily absorb the cost. 2) The representativeness of the QIS is insufficient for an IORP II proposal by the EC: ☐ Only 8 out of 27 Member States will participate in the QIS. ☐ Municipal/Local Authorities pension schemes are not included, although these are significant providers of second pillar pension schemes. ☐ In some Member States the QIS will not be performed by IORPs, but by supervisory authorities which are using aggregated data (or it is done by actuarial firms on behalf of the supervisory authority). However, it is our opinion that EIOPA and the Commission can only have a good indication of the real impact when the QIS will be performed by IORPs (instead of hypothetical schemes).	have been simplified, other areas will be further developed IORPs are only expected to calculate limited number of scenarios

			☐ The use of aggregated data makes the comparison between funds and countries distorted and it will be very hard for EIOPA to have an adequate overview of the sensitivity to the assumptions. ☐ If IORPs will not participate in the QIS, they will also not be able to respond (properly) to the qualitative questionnaire, while it is the purpose of the qualitative questionnaire to obtain an assessment by the IORPs of the clarity of the technical specifications, the quality of inputs and results, the methodology of the QIS, the practicability of the calculations involved and the use of simplifications. In addition, IORPs will be invited to give a first impression of the outcomes of the QIS and the potential policy reaction by the IORPs and other stakeholders. 3) This exercise is very exhaustive: ☐ The exercise is dependent on many – debatable – assumptions like stable correlations, normal curves, absence of tail-risk and the ability for analysts to accurately predict the future. ☐ The underlying principles of the Holistic Balance Sheet are based on full market valuation and a Value at Risk (VaR) methodology. However, based on the experiences over the last years, there are some second thoughts if this kind of models should be still applicable. ☐ We have identified 972 scenarios that IORPs will be expected to compute. Many will not have inputs in the appropriate format.	

67.	Vereinigung der hessischen Unternehmerverbände (Vh	Q1.	No, GESAMTMETALL does not agree with the general set-up of the QIS exercise. This because of the following three reasons: 1) The QIS will not give all necessary insights for IORP II ☐ If this is the only QIS before the proposal of IORP II by the European Commission (as indicated by the European Commission), for sure not all relevant questions can be directed and clearly answered in one run. EIOPA should ask for even more information than it is already going to do in the complex QIS. ☐ There is the risk that IORPs will not have enough time to be – and certainly are at the moment not – sufficiently equipped to reply (leading to a limited number of replies). Focus of responses will be on the technical details and not on general concept and usability of holistic balance sheet. ☐ The resources needed to run a QIS style solvency process will be very expensive to the majority of IORPs (proportionality). Therefore, those that participate will be a biased sample of large pension plans – those that can easily absorb the cost. 2) The representativeness of the QIS is insufficient for an IORP II proposal by the EC: ☐ Only 8 out of 27 Member States will participate in the QIS.	Partially agreed. EIOPA considers more QISs are needed Member state participation in the QIS is voluntary Some areas of technical specifications have been simplified, other areas will be further developed IORPs are only expected to calculate limited number of scenarios

			☐ Municipal/Local Authorities pension schemes are not included, although these are significant providers of second pillar pension schemes. ☐ In some Member States the QIS will not be performed by IORPs, but by supervisory authorities which are using aggregated data (or it is done by actuarial firms on behalf of the supervisory authority). However, it is our opinion that EIOPA and the Commission can only have a good indication of the real impact when the QIS will be performed by IORPs (instead of hypothetical schemes). ☐ The use of aggregated data makes the comparison between funds and countries distorted and it will be very hard for EIOPA to have an adequate overview of the sensitivity to the assumptions. ☐ If IORPs will not participate in the QIS, they will also not be able to respond (properly) to the qualitative questionnaire, while it is the purpose of the qualitative questionnaire to obtain an assessment by the IORPs of the clarity of the technical specifications, the quality of inputs and results, the methodology of the QIS, the practicability of the calculations involved and the use of simplifications. In addition, IORPs will be invited to give a first impression of the outcomes of the QIS and the potential policy reaction by the IORPs and other stakeholders. 3) This exercise is very exhaustive: ☐ The exercise is dependent on many – debatable – assumptions like stable correlations, normal curves, absence of	

			tail-risk and the ability for analysts to accurately predict the future. ☐ The underlying principles of the Holistic Balance Sheet are based on full market valuation and a Value at Risk (VaR) methodology. However, based on the experiences over the last years, there are some second thoughts if this kind of models should be still applicable. ☐ We have identified 972 scenarios that IORPs will be expected to compute. Many will not have inputs in the appropriate format.	
68.	Zusatzversorgungskasse des Baugewerbes AG	Q1.	No, ZVK-Bau does not agree with the general set-up of the QIS exercise as put forward in the introduction. We believe that the most important strategic and political questions are missing, that a 6 weeks period is much too short for an answer that needs data not readily available by almost all but especially by smaller IORPs and that the answers will be seriously flawed and biased therefore. Furthermore we see no need in rushing this exercise compaired to the Solvency II initiative for the insurance industry which took more than a decade and is still not finished. Most of all we refuse the Solvency II like design of the QIS and the crude and only partial customization of the QIS to IORP peculiarities. To think of this QIS as the only one before drafting a regulatory framework seems impossible. Therefore we suggest to start with a QIS consisting of the strategic and political questions mentioned in our General Comment and then progressively look	Noted. Solvency II based approach follows from Commission's CfA EIOPA agrees that more QISs are needed

			into details of calculations.	
69.	OPSG	Q2.	No, the OPSG does not think that the adjustment (discretionary and conditional benefits, last resort benefit reductions) and security mechanisms (sponsor support, pension protection schemes) are taken into account adequately. If there will be only one QIS, this QIS should provide all the possible answers, insights, and numbers. This is not possible under the current technical specifications. These answers, insights and data need to be addressed, since the adjustment and steering mechanisms are new elements (compared to other topics) for EIOPA to assess and it is unlikely that we can fully assess them correctly in one QIS. The adjustment and steering mechanisms define the difference between pension funds and insurance companies, making the HBS even more complex than Solvency II. After 5 QISs the Solvency II framework is still unclear, with the discount curve (UFR, matching premium/counter cyclical premium) still undecided with the impact of the curve on the solvency position of insurance companies (and also on the markets and the economy) being extremely severe. The Commission and EIOPA will not be able to calibrate the adjustment and steering mechanisms for IORPs in one QIS.	Partially agreed EIOPA agrees more QISs are needed
70.	aba Arbeitsgemeinschaft für betriebliche Altersver	Q2.	No. IORPs have available to them a range of adjustment mechanisms that are anchored in labour and collective bargaining law i.e. outside of prudential law. As some of these adjustment mechanisms can be scheme, industry and context specific, we do not believe it is possible to evaluate these factors using a market consistent approach with any degree of	Noted.

			usefulness in the holistic balance sheet. Some multi-employer IORPs, for example, include a solidarity component which makes all sponsoring employers jointly liable. If necessary, benefit reductions can be negotiated between the social partners. Other schemes may apply different adjustment mechanisms which are not adequately reflected in the proposed model. It should be apparent that the QIS model for valuing sponsor support does not adequately reflect local practice. Moreover, it is heavily laden with assumptions and the outcomes are not robust. Small changes in the inputs result in large deviations in outcomes. Pension protection schemes are an important security mechanism for occupational pensions in Germany. In contrast to other security schemes in the financial industry which are potentially exposed to systemic risk, the German Pensions-Sicherungs-Verein (PSV) is backed by 91,700 employers i.e. the majority of listed companies in Germany as well as a significant portion of the Mittelstand.	
71.	AEIP – The European Association of Paritarian Inst	Q2.	No, AEIP does not believe that the adjustment and security mechanisms IORPs dispose of are taken into account adequately. We believe the valuation of the adjustment and security	Noted. EIOPA agrees more QISs are needed The questionnaire will include questions on

			mechanisms are understudied and are too cumbersome to work with. As the results are also strongly assumption driven this might lead to a questionable (parameter sensible) outcome. AEIP proposes that within the actual QIS IORPs should deliver an overview of the legal framework of their operations if they consider this relevant for assessing their security level properly. This regards the whole system of security mechanism including the possibilities and mechanisms that social partners dispose of to raise contribution, adjust (in some jurisdictions) accrued rights and reduce as a last resort benefit. This legal framework is codified in national social and labour law. The social and labour law that applies to workplace pensions differs considerably from the legal framework of the contractual agreement between an insurance companies and its consumer which is codified in civil and commercial law. Especially jointly managed (paritarian) pension funds whose schemes are based on collective bargaining agreements 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 benefit reductions are agreed during collective bargaining processes. They are decided upon in the best interest of sponsors and beneficiaries to provide a long-lasting equilibrium between productivity of the sponsors on the one hand and wage and fringe benefit justice for the beneficiaries on the other hand. 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	nature of sponsor support Sponsor support section will be further developed IORPs may deviate from lowest credit rating, if appropriate. In addition, future contribution increases may also be taken into account There is not enough information at this stage to specify supervisory responses

			laid down in national social and labour law too. Therefore the degree of freedom to adjust scheme conditions, contribution rates and benefit reductions is higher for paritarian IORPs than for IORPs that dispose only of a "normal" restructuring clause or "normal" sponsor support. The QIS should provide opportunities to transport and value this kind of information. Moreover, restricting sponsor support (especially in multi-employer schemes) to a one year default case is not adequate. Sponsor support in cases of underfunding works by raising the contribution rate and recovering over a longer period (sometimes more than ten years). Within paritarian IORPs every raise of the pension funds contribution is part of this above mentioned equilibrium: the result of the almost yearly happening bargaining process is a package that consists of wage raises, pension funds contribution rates, working time, fringe benefits etc. Normally in total the parts are limited by the productivity progress within the industry to allow the companies' (the sponsors) long-lasting survival and the sponsoring companies shareholders' adequate profit. Sometimes there are minor adjustments which reflect the bargaining powers of one of the social partners but normally they level out in the long run. So every raise of pension funds' contribution is financed not only by the sponsoring enterprises but economically by the employees too because the latter refrain from getting possible wage raises or fringe benefit improvements or decide to raise productivity (by longer working hours for example). Sponsor support can not only be measured against financial	

			resources of a sponsoring company but has to acknowledge that – especially in industry-wide IORPs - the whole industry – employers and employees - support the scheme. Drawing on this, AEIP reiterates that the timing set out in the “next steps” section of the consultation documents seems extremely short and challenging in order to address all the technical issues and unclarities that have been brought forward. AEIP considers that it is necessary to run different QISs before drafting the Level 1 texts in order to allow all actors and stakeholders to gain the relevant practical understanding and more insights on the impact of the proposed framework. More clarity is also needed about the way the Holistic Balance Sheet will incorporate the security mechanisms of IORPs. It is likely that in some countries many Holistic Balance Sheets won’t be balanced: security mechanisms are calculated to fill the gap between the market value of invested assets and level A technical provisions (HBS.6.42), thus, by construction a deficit equal to safety buffers is possible. Net SCR is not covered by any asset (where there is no PPS, there is no loss absorbing capacity for sponsor default) and the impact of the risk margin is unclear: - either the risk margin is included in level A TP and sponsor support includes capitalizing an insurance company - or it is not included in level A TP and as long as there are less invested assets than TP, the HBS will be in deficit. How will EIOPA interpret such a deficit?	

			EIOPA's base assumption in the way the Holistic Balance Sheet is conceived is to consider that the sponsor can recover a possible surplus against level A technical provisions. In this case, a surplus of invested assets is a liability for the IORP, so it does not improve the deficit and does not allow facing risk margin and capital requirements. Moreover, the way the sponsor support is valuated is way too dependent on the credit rating and we do not see any reason why unrated sponsor undertaking (like most of SMEs) should be automatically rated at 'junk' level. EIOPA also does not provide enough detail on how to treat multi-employer and industry-wide schemes, cases where one sponsor supports several IORPs, or cases where the sponsor is a local subsidiary of a larger (stronger) international group and has its implicit support or it is a non-for-profit or public organisation. The proposed model actually suits only cases where there is one sponsor for a single pension scheme. AEIP would urge EIOPA to take into consideration other elements to treat the sponsor support, such as the legal and contractual obligations they have towards IORPs. We cannot accept the very need for hard figures for this item of the Holistic Balance Sheet. We see the danger that somehow this once-in-two-hundred-years event contaminates the balance sheet of the sponsor. This would evaporate the willingness of sponsors to make any more pension promises.	

75.	Aon Hewitt	Q2.	We believe that there is too much detail in places, and that in certain areas (sponsor support) there won't be enough information to allow European Commission to make informed decisions on policy suggestions. In addition, it is not completely clear how benefits which can be reduced in the event of sponsor default are dealt with under the definition of 'pure conditional benefits'. If the sponsor defaults, there is not likely to be any additional funding so benefits may well be reduced, irrespective of whether the IORP documentation says so or not. It has been suggested that this means benefits can be reduced to make the balance sheet balance. However this would appear to make the whole exercise pointless. It is also unclear what order the adjustment mechanisms should be applied (both in the HBS and the SCR). Applying them in different orders could significantly alter the presentation of the results.	Noted. Reductions in case of sponsor default should be dealt with separately from 'pure conditional benefits' The order should be in line with order specified in pension scheme
76.	Association of British Insurers	Q2.	The valuation of the adjustment and security mechanisms are new concepts. EIOPA has tried to account for the specificities of IORPs but it is difficult to say these are adequate until they have been tested. Further testing may be required to ensure that they accurately reflect the economic reality faced by IORPs.	Noted. EIOPA agrees further QISs are needed

			However, we have doubts regarding the feasibility in practice of the proposed approach given the vast differences in these mechanisms between member states. The practical details should be specified at national level.	
77.	Association of Consulting Actuaries UK	Q2.	We do not believe that the value of sponsor support proposed is fit for purpose since, amongst other things, it will be unable to reflect the reality of the value of a sponsor's support within a fast-moving economic environment (note our reference to Lehman Bros, within the last consultation, where the value of sponsor support changed overnight when assets were transferred to the US from the UK).	Noted.
78.	Association of French Insurers (FFSA)	Q2.	It seems clear that occupational pension specificities have to be taken into account in a prudential regime. Nevertheless, it might be difficult at this stage to give a definitive opinion on the adequacy of the proposed measures without knowing the quantitative impact. FFSA hopes EIOPA will pay attention to the importance of introducing appropriate technical standards on each security mechanism so that the future prudential regime will lead to fair competition. For instance, the opportunity to take into account Pension Protection Schemes (PPS) seems to be a point of debate. Should PPS be recognized, Insurance Guarantee Schemes should also be considered.	Noted.
79.	Balfour Beatty plc	Q2.	Do stakeholders believe that the adjustment (discretionary and conditional benefits, last resort benefit reductions) and security	Noted. Sponsor support

			mechanisms (sponsor support, pension protection schemes) IORPs dispose of are taken into account adequately? In our view, the issue of valuing 'sponsor support' needs more thought. In particular, it is by no means uncommon for an IORP to have a 'single' sponsor, but that sponsor could be one of a group of associated undertakings. Moreover, within a group environment there may be several IORPs sponsored by various entities within the group. It is also quite common for these group entities to be dispersed across the EEA and beyond. Within groups there may be explicit or implicit cross-entity guarantees. All these facets need to be assessed in placing a value on sponsor support. Furthermore, the proposed approach to valuing sponsor support seems technically complex and precise, and we would argue that this is spurious accuracy given the subjective judgements that are being made. For example, arbitrarily determined variables are applied in a number of critical points, such as the 50% recovery rate (HBS 6.17); the assessment of future profits and sponsors' earnings (HBS 6.36); the proportion of shareholder funds available for the IORP; the 50 bp adjustment to allow for the illiquidity premium (HBS 8.12); the inflation and salary increase assumptions (HBS 8.23 and 8.24, respectively); the mortality and longevity shocks of 15% and 20 % (SCR 7.17 and 7.29, respectively) and the figures in the counter-party default risk module (amongst others)..	section will be further developed. IORPs are requested to assess robustness of outcomes in qualitative questionnaire EIOPA considers more QISs are needed

			The timescale for the consultation exercise has not allowed adequate consideration of possible alternatives.	
80.	Barnett Waddingham LLP	Q2.	We do not believe that aggregate data held by supervisors will include sufficient detail to calculate these items, and therefore the results of the QIS will be misleading. We have particular concerns with the security mechanisms. There can be no one-size-fits-all model for sponsor support as individual circumstances – such as group structure, legal form, industry – will all have an impact. While the calculation is possible, it is not going to result in a meaningful number.	Noted. Sponsor support section will be further developed.
81.	BASF SE	Q2.	Do stakeholders believe that the adjustment (discretionary and conditional benefits, last resort benefit reductions) and security mechanisms (sponsor support, pension protection schemes) IORPs dispose of are taken into account adequately? We welcome that EIOPA explicitly recognizes the specifics of IORPs with regard to additional adjustment and security mechanisms. However, we think that the adjustment and security mechanisms are not adequately taken into account. First, we believe that EIOPA pursues a wrong approach by taking Solvency II as a starting point and striving to incorporate the specifics of IORPs into the Solvency II framework. Even after over 10 years in development and five QIS exercises the Solvency II framework is still under controversial discussion due to the inconsistency with long term guaranties and because it is still unclear which unintended side-effects Solvency II regulation will have in the functioning of the capital markets.	Noted. Solvency II based approach follows from Commission's CfA Sponsor support section will be further developed

			Sponsor support and PPS (Pension Protection Scheme) are very complex elements that were not considered under Solvency II. We believe that much more study is required to accurately assess these mechanisms. Finally, the calculation models for adjustment and security mechanisms require complex techniques like stochastic simulations and option price models and are especially not practical for multi-employer IORPs, which are often among the largest IORPs.	
82.	Bayer AG	Q2.	No, because of the general inappropriateness of the approach! We think, that a high-quality pension protection scheme (e.g. like the German "Pensionssicherungsverein aG", which is financed by almost the whole community of companies of the total German economy), and/or the full support of a first-quality sponsor company should automatically close any gap in the Holistic Balance Sheet.	Noted.
83.	Bayerischer Industrieverband Steine und Erden e.V.	Q2.	No, we do not think that the adjustment (discretionary and conditional benefits, last resort benefit reductions) and security mechanisms (sponsor support, pension protection schemes) are taken into account adequately. If there will be only one QIS, this QIS should provide all the possible answers/ insights/ numbers in one QIS. With the current Draft Technical Standards and the set-up of the QIS this will not be possible. This is logical, since the adjustment and steering mechanisms are new elements (compared to other topics) for EIOPA to assess and it is unlikely that we can fully assess them correctly in one QIS. These mechanisms define the	Noted. EIOPA agrees more QISs are needed.

			difference between pension funds and insurance companies, making the HBS even more complex than Solvency II. After 5 QISs the Solvency II framework is still unclear, with the discount curve (UFR, matching premium/counter cyclical premium) still undecided whereas the impact of the curve on the solvency position of insurance companies (and also on the markets and the economy) being extremely severe. The Commission and EIOPA will hardly be able to calibrate the adjustment and steering mechanisms right in one QIS for IORPs. It should be noted that EIOPA has detailed experience of insurance companies, but only limited experience of the holistic balance sheet and the valuation of the steering and adjustment mechanisms. Also consultants and the pension sector have very limited experience with the valuation of these mechanisms (and consultant capacity is currently focused on Solvency II). Pension protection schemes are an important security mechanism for occupational pensions in Germany. In contrast to other security schemes in the financial industry which are potentially exposed to systemic risk, the German "Pensions-Sicherungs-Verein" (PSV) is backed by 91,700 employers i.e. the majority of listed companies in Germany as well as a significant portion of medium-sized enterprises In the event of employer insolvency, the PSV assumes the liability of the benefits it has insured. Benefits are insured up to a cap of €7,878 per person per month. This level would generally exceed the level of benefit that IORPs could fund on a tax preferred	

			basis on behalf of an individual.	
84.	BDA Bundesvereinigung der Deutschen Arbeitgeberver	Q2.	No, we do not think that the adjustment (discretionary and conditional benefits, last resort benefit reductions) and security mechanisms (sponsor support, pension protection schemes) are taken into account adequately. If there will be only one QIS, this QIS should provide all the possible answers/ insights/ numbers in one QIS. With the current Draft Technical Standards and the set-up of the QIS this will not be possible. This is logical, since the adjustment and steering mechanisms are new elements (compared to other topics) for EIOPA to assess and it is unlikely that we can fully assess them correctly in one QIS. These mechanisms define the difference between pension funds and insurance companies, making the HBS even more complex than Solvency II. After 5 QISs the Solvency II framework is still unclear, with the discount curve (UFR, matching premium/counter cyclical premium) still undecided whereas the impact of the curve on the solvency position of insurance companies (and also on the markets and the economy) being extremely severe. The Commission and EIOPA will hardly be able to calibrate the adjustment and steering mechanisms right in one QIS for IORPs. It should be noted that EIOPA has detailed experience of insurance companies, but only limited experience of the holistic balance sheet and the valuation of the steering and adjustment	Noted. EIOPA agrees more QISs are needed.

			mechanisms. Also consultants and the pension sector have very limited experience with the valuation of these mechanisms (and consultant capacity is currently focused on Solvency II). Pension protection schemes are an important security mechanism for occupational pensions in Germany. In contrast to other security schemes in the financial industry which are potentially exposed to systemic risk, the German "Pensions-Sicherungs-Verein" (PSV) is backed by 91,700 employers i.e. the majority of listed companies in Germany as well as a significant portion of medium-sized enterprises In the event of employer insolvency, the PSV assumes the liability of the benefits it has insured. Benefits are insured up to a cap of €7,878 per person per month. This level would generally exceed the level of benefit that IORPs could fund on a tax preferred basis on behalf of an individual.	
85.	BdS – Bundesverband der Systemgastronomie e.V.	Q2.	No, we do not think that the adjustment (discretionary and conditional benefits, last resort benefit reductions) and security mechanisms (sponsor support, pension protection schemes) are taken into account adequately. If there will be only one QIS, this QIS should provide all the possible answers/ insights/ numbers in one QIS. With the current Draft Technical Standards and the set-up of the QIS this will not be possible. This is logical, since the adjustment and steering mechanisms are new elements (compared to other topics) for EIOPA to assess and it is unlikely that we can fully	Noted. EIOPA agrees more QISs are needed.

			assess them correctly in one QIS. These mechanisms define the difference between pension funds and insurance companies, making the HBS even more complex than Solvency II. After 5 QISs the Solvency II framework is still unclear, with the discount curve (UFR, matching premium/counter cyclical premium) still undecided whereas the impact of the curve on the solvency position of insurance companies (and also on the markets and the economy) being extremely severe. The Commission and EIOPA will hardly be able to calibrate the adjustment and steering mechanisms right in one QIS for IORPs. It should be noted that EIOPA has detailed experience of insurance companies, but only limited experience of the holistic balance sheet and the valuation of the steering and adjustment mechanisms. Also consultants and the pension sector have very limited experience with the valuation of these mechanisms (and consultant capacity is currently focused on Solvency II). Pension protection schemes are an important security mechanism for occupational pensions in Germany. In contrast to other security schemes in the financial industry which are potentially exposed to systemic risk, the German "Pensions-Sicherungs-Verein" (PSV) is backed by 91,700 employers i.e. the majority of listed companies in Germany as well as a significant portion of medium-sized enterprises In the event of employer insolvency, the PSV assumes the liability of the benefits it has insured. Benefits are insured up to a cap of €7,878 per person per month. This level would generally exceed	

			the level of benefit that IORPs could fund on a tax preferred basis on behalf of an individual.	
86.	Belgian Association of Pension Institutions (BVPI-	Q2.	No. We believe the valuation of the adjustment and security mechanisms are understudied and too cumbersome to work with. As the results are also strongly assumption driven this might lead to a questionable (parameter sensible) outcome. It will be hard for IORPs to do the stochastical part. Knowledge, experience and models need to be bought on the scarce market, costs will be disproportional, results will be influenced by the lack of available and disseminated models and consultants. A lot of specifications seem to be understudied and as such they are still unclear and give room for a lot of different interpretations. It is very difficult to translate these general concepts to a specific situation of an IORP. Herewith some examples in the context of the valuation of the sponsor convenant: ☐ We have no information what a recovery plan is looking like although it is part of this valuation (Recovery plan: When? Duration? Etc…) ☐ How to value this concept in the context of Local	Noted. Sponsor support section will be further developed EIOPA encourages information from other sources, but sometimes credit ratings are only information available

			subsidiaries of multinational groups? How to do this in the context of Industry-wide plans? What about multi-employer plans? (How to determine the rating? The company wealth? Multi-employer with/without solidarity? One or multiple holistic balance sheets? Public sector? Non-profit? Etc…) ☐ Will sponsor disclose the necessary information to calculate the sponsor support? (eg. rules on disclosure for listed companies, etc.) Finally would we like to question if the approach used to value the sponsor strength based on its credit ratings, does not conflict with the recent statement by the ECON committee of the European Parliament that "no EU law would be permitted to refer to credit rating for regulatory purposes, and regulated financial institutions would not be permitted to sell assets automatically in the event of a downgrade"? Today, in the Belgian context, most of the IORPs do only have obligations "by means" and not "by results". This means that most of the Belgian IORPs bear hardly any risk themselves, they fully rely on the sponsor. The principle of the holistic balance sheet and the additional capital requirements should bring transparency but are mixing up plan engagements and IORP's engagements. A lot of complex calculations are need to be done for risks and engagements which today are not born by the IORP and which are absorbed by the loss absorbing steering mechanisms.	
87.	BlackRock	Q2.	Please see our General Comment above.	

88.	Bosch Pensionsfonds AG	Q2.	We strongly support that the specific security mechanisms of IORPs - like sponsor (employer) support and pension protection schemes (PPS) - are adequately and separately taken into account. However, the proposed methodology to value them is incredibly complex and gives significant rise to doubts whether these mechanisms and their nature (especially from a SLL perspective) are really understood. Sponsor support and PPS are both concepts, that are firmly rooted in SLL (so is for example the German PPS defined and based on pension and labour law). If a pension promise is through SLL fully backed by the employer, whose insolvency is again fully covered by a strong PPS, then this is in fact a secure promise! A lot of evidence for this can be found in 37 successful years of the German PPS, which is also in effect in Luxemburg. Such a complete "chain of security mechanisms" should suffice: sponsor support and pension protection should then close the funding gap completely. This would be a justified and significant simplification for IORPs and allow them to refrain from further complex calculations within the holistic balance sheet. Also, the valuation of sponsor (employer) support and PPS is a new concept. EIOPA and the national supervisory authorities have little to no experience in dealing with these SLL driven issues appropriately from a supervisory perspective. A profound discussion of this valuation is therefore indispensable. Also, fundamental studies are needed, investigating how sponsor (employer) support and PPS, being SSL issues at their core and offering high level protection, affect supervisory structures.	Noted. Sponsor support section will be further developed

89.	Bosch-Group	Q2.	We strongly support that the specific security mechanisms of IORPs - like sponsor (employer) support and pension protection schemes (PPS) - are adequately and separately taken into account. However, the proposed methodology to value them is incredibly complex and gives significant rise to doubts whether these mechanisms and their nature (especially from a SLL perspective) are really understood. Sponsor support and PPS are both concepts, that are firmly rooted in SLL (so is for example the German PPS defined and based on pension and labour law). If a pension promise is through SLL fully backed by the employer, whose insolvency is again fully covered by a strong PPS, then this is in fact a secure promise! A lot of evidence for this can be found in 37 successful years of the German PPS, which is also in effect in Luxemburg. Such a complete "chain of security mechanisms" should suffice: sponsor support and pension protection should then close the funding gap completely. This would be a justified and significant simplification for IORPs and allow them to refrain from further complex calculations within the holistic balance sheet. Also, the valuation of sponsor (employer) support and PPS is a new concept. EIOPA and the national supervisory authorities have little to no experience in dealing with these SLL driven issues appropriately from a supervisory perspective. A profound discussion of this valuation is therefore indispensable. Also, fundamental studies are needed, investigating how sponsor (employer) support and PPS, being SSL issues at their core and offering high level protection, affect supervisory structures.	Noted. Sponsor support section will be further developed

90.	BT Group plc	Q2.	Do stakeholders believe that the adjustment (discretionary and conditional benefits, last resort benefit reductions) and security mechanisms (sponsor support, pension protection schemes) IORPs dispose of are taken into account adequately? Further clarity should be given on the treatment of salary increases. Our view is that allowance for these should not be included unless members have a contractual entitlement to them.	Noted. Clarification will be given by national supervisor based on specificities of pension scheme
91.	BTPS Management Ltd	Q2.	The security mechanisms are key for UK IORPs and are for them by far the most material part of the HBS. The valuation methods of these supports will define whether UK pension schemes are recognised to be financially sustainable over the long term. The suggested method is too complicated, with a single solution applied to an evaluation which must be scheme-specific. The methodology is poorly defined yet too complicated, and is likely to provide at best spurious accuracy considering the huge assumptions required. It seems to us that arbitrarily determined values are applied at a number of critical points in these calculations, such as: the 50% recovery rate (HBS 6.17); the assessment of future profits and sponsors' earnings (HBS 6.36); the proportion of shareholder funds available for the IORP; the 50 bp adjustment	Noted. Sponsor support section will be further developed. IORPs are requested to assess robustness of outcomes in qualitative questionnaire EIOPA considers more QISs are needed

			to allow for the illiquidity premium (HBS 8.12); the inflation and salary increase assumptions (HBS 8.23 and 8.24, respectively); the mortality and longevity shocks of 15% and 20% (SCR 7.17 and 7.29, respectively); and the figures in the counter-party default risk module (amongst others). These arbitrary values risk entirely undermining the relevance of the calculations; while they provide some small simplification of a highly complex process, they render the outcome essentially meaningless and valueless. In addition, there are some basic practicalities which are unaddressed, such as which is the company whose shareholder funds are relevant for the calculations – the holding company as parent or the principal employer, or some combination of the various entities which undertake the liabilities; where different group companies sponsor different IORPs (frequently the case cross-border within multinational groups), there are added complexities again. These issues have simply not been adequately addressed in these proposals. We note that all these various elements are unique to IORPs and were not considered in the Solvency II proposals. To the extent that the Solvency II route is being followed the complexity of these elements is such that it appears hugely ambitious to believe that they can be addressed in a single QIS.	
92.	Deloitte Total Reward and Benefits Limited (UK)	Q2.	No. In our view, both pure discretionary benefits and mixed benefits	Noted. EIOPA wants to test all

			should be excluded from the holistic balance sheet assessment as the existence of a realistic discretionary power in both cases means that there is no commitment from the IORP to make these payments and hence these are not an obligation of the IORP. Exclusion of these benefits would also reduce the complexity and cost of compliance with the holistic balance sheet proposals. It is not clear how the last resort benefit component feeds into the overall holistic balance sheet. It appears that, in practice, this component is likely to become a 'balancing item' which ensures that the holistic balance sheet can always balance. This leaves the question of the practical relevance of the holistic balance sheet if, ultimately, this feature will always act as a balancing item. If a holistic balance sheet approach is to be adopted, then the sponsor covenant and pension protection schemes clearly need to be incorporated, given the importance of these security mechanisms for IORPs. However, the technical specifications set out by EIOPA illustrate the difficulty of placing a quantitative figure on these items. The specifications set out include a number of arbitrary assumptions – for example in the calculation of maximum sponsor covenant, assuming that 50% of future sponsor profits will be available to support the IORP, profits will grow with inflation each year for the next 10-20 years, etc – which are crucial inputs to the final calculation. Given the arbitrary nature of these inputs, it seems clear that the result produced will not be a meaningful figure. Use of such results, whether for funding IORPs, regulatory intervention or disclosure to members, therefore carries great risks.	options included in its advice. Sponsor support section will be further developed

93.	Deutsche Post DHL	Q2.	Besides "internal" tools such as asset allocation or risk management the sponsor support together with a pension protection scheme (PPS) are the most important "external" tools for IORPs in order to manage the risk of a pension plan. The proposed methodology to value these two external tools is incredibly complex and gives significant rise to doubts whether these mechanisms and their nature are really understood: If a pension promise is fully backed by the sponsoring company (employer) and if employer's insolvency is fully covered by a strong PPS then this should be fully sufficient from any funding gap or capital requirement perspective. This would be a justified and significant simplification for IORPs and allow them to refrain from further complex calculations within the holistic balance sheet approach.	Noted. Sponsor support section will be further developed
94.	Dexia Asset Management	Q2.	Q2. Do stakeholders believe that the adjustment (discretionary and conditional benefits, last resort benefit reductions) and security mechanisms (sponsor support, pension protection schemes) IORPs dispose of are taken into account adequately? We do not believe adjustment and security mechanisms IORPs dispose of are taken into account adequately. In our opinion, they are over-simplified and not adapted for analyzing the actual IORPs landscape. First, the possibility to use last resort benefit reduction is unclear, especially the "option of benefit reduction in case of sponsor default". We also would like to stress that for many IORPs a sponsor default is the worst possible event, so using	Noted. Option last resort reductions has been clarified Level A technical provisions equals best estimate plus risk margin. The risk margin using the cost-of-capital approach aims to determine the market value of non-hedgeable liabilities. The risk

			the word "option" for a benefit reduction where a stakeholder does not fulfill its promise is not appropriate. Second, we do not understand the "option for benefit reduction in case of sponsor default" valuation in the case where no PPS exists. The benefit reduction is necessarily equal to the difference between what the IORP promised and what he can afford to pay without sponsor support. What the IORP can afford to pay without sponsor support for its members is the market value of assets plus any amount recovered from the sponsor so we would use the same value as when a PPS exists (assuming PPS actual coverage rate of 0%).. Third, sponsor support valuation is simple but is not adapted to multiemployer arrangements, enterprises that sponsor several IORPs or sponsor who are subsidiaries of a group. It also relies too much on rating and accounting data. For a DB with unconditional benefits, even in the case 1 IORP (1 sponsor, the sponsor support valuation is unworkable 1. In most of countries, the sponsor is prohibited by law to recover pension's assets. The assumption of possible restitutions set out in HBS.6.21.iii and HBS.6.47 for example is not correct. 2. EIOPA considers that sponsor support (and PPS) is only committed to cover level A TP: do the level A TP include the risk margin? a. In the case the answer is positive, it implies that security mechanisms implicitely include the financing of the cost of	margin estimates what amount the insurer would demand to take over the liability. No real transfer or financing of insurers is implied. The sponsor support section will be further developed QIS is intended to explore practical implementation of holistic balance sheet There is not enough information at this stage to specify supervisory responses IORPs may implement dynamic investment strategies ex post, i.e. in case of non-compliance with SCR IORP can raise additional capital or de-risk

			capital of an insurance company, and relation between security mechanisms and recovery plans becomes less clear. Moreover, In this case do level B TP also include a risk margin? b. If the answer is negative, as long as invested assets do not cover all the liability side of the balance sheet, the HBS will be in deficit. 3. As a consequence, three situations can happen, none of them being sponsor friendly a. There are less assets than TP: security mechanisms cover the deficit of assets against level A TP but additional buffers are not covered by any asset. Moreover, the higher the invested assets value, the smaller the sponsor guarantee so as long as invested assets remain below TP, we do not have an improvement, only a different split of assets b. There is more assets than TP and restitutions are possible: excess of assets against TP is a liability for the IORP in addition to the buffers, so there is no improvement for the IORP c. There are more assets than TP and restitutions are not possible: the gap starts diminishing and a surplus can eventually exist but at a high price for the sponsor who contributed far more than what is required to cover the pension obligation. Two main options are offered: either the holistic balance sheet is in deficit or the sponsor has already contributed more than needed and is not allowed to ask for any restitution. We do not see any incentive for the sponsor to accelerate the funding of its pension scheme.	

			Fourth, we note that sponsor support is a very theoretical valuation exercise since - it does not take into account collective bargaining as a steering mechanism - no indication is given on its practical outcomes: Should the calculated cash-flows in the deterministic approach be used as a basis for recovery plans? Would some accounting provisions be allowed? Is the sponsor support an assessment of some theoretical "ability to pay" without any accounting or treasury impact? We also regret that security mechanisms such as a strict risk management policy of invested assets (stop loss, portfolio protection techniques) are not included as a risk mitigating element.	
95.	EEF	Q2.	The Holistic Balance Sheet approach will have little credibility amongst stakeholders if these aspects are not adequately covered and in our view they are currently not. The issues across differing EU member states are hugely complex and varied. Their scope/role is also under consideration in the UK given the pressures DB pension arrangements are under. Now is not the time to be introducing further uncertainty.	Noted. EIOPA agrees that more QISs are needed

			For employers the relationship between employer covenant, recovery periods and technical provisions is of central concern and should be considered coherently and in depth; we advocate additional QIS rounds to review them holistically.	
96.	EuroCommerce – The retail wholesale and internatio	Q2.	Do stakeholders believe that the adjustment (discretionary and conditional benefits, last report benefit reductions,) and security mechanisms (sponsor support, pension protection schemes) IORPS dispose of are taken into account adequately? EIOPA's proposed approach to valuing the PPF and sponsor covenant is far too complex. It is a very difficult task to devise a formula to value 27 different pension systems with varying security mechanisms. We believe EIOPA would be better placed to devise a broad framework valuing security mechanisms, leaving the detailed methodology and implementation to member states, with the flexibility to cater for the different circumstances of individual IORPs.	Noted. Security mechanisms section will be further developed
97.	European Association of Public Sector Pension Inst	Q2.	Do stakeholders believe that the adjustment (discretionary and conditional benefits, last resort benefit reductions) and security mechanisms (sponsor support, pension protection schemes) IORPs dispose of are taken into account adequately? EAPSPI is of the opinion that the security mechanisms (sponsor support, pension protection schemes) IORPs dispose of are not adequately taken into account in the HBS.	Noted. EIOPA does not agree that valuing adjustment and security mechanisms on a market consistent basis equates IORPs with insurers

			The general concerns that both the differences of IORPs and insurance undertakings, especially the existing security mechanisms and that the method of risk and financial assessment are inadequate for IORPs materialise in the concept of the HBS. The HBS conceptualizes the specific characteristics of IORPs only as additional financial assets. This perspective generally equates IORPs with insurance undertakings, respecting differences only as new assets put on top of the same basic structure. However, this perspective neglects the structural differences of IORPs and insurance undertakings due to the fact that in the case of occupational pensions there is a 3-party relationship (employer, employee and IORP). This accounts particularly for the public sector where the sponsoring employers generally show a very reliable financial stability. In addition, the institutional characteristics of certain IORPs especially in the public sector (not-for-profit, balanced or even paritarian governance and decision-making etc.) play a crucial role. This provides for a very flexible and efficient structure for securing employees' rights. The structural difference changes the starting point for regulating IORPs: The idea of the "back up facility" sponsor support and pension protection scheme is that they step in when they are needed no matter if the development is "normal" (HBS) or "stressed" (SCR). The structure of the QIS leads to a differentiation of the value of the security mechanisms in the HBS ('normal development') and their loss-absorbing capacity	Aim of the QIS is to investigate the implementation of holistic balance sheet in practice An advantage of HBS – even if it balances - will be that value of benefits and funding sources are more transparent for IORPs, plan members and social partners

			in the SCR ('stressed development'). Dividing the security mechanisms in this way leads to unnecessary and superfluous complexity. This flexible organisational feature of occupational pensions is also implicit in the proposals of the technical specifications when the value and the loss-absorbing capacity of IORPs' security mechanisms are discussed (chapter 2.6 and 3.2). For example, the IORP can activate a proportion of current and future profits of the sponsor as an asset in its HBS even in normal times (HBS.6.29 and 6.30) and additionally the sponsor support has a flexible loss-absorbing capacity, as "the actual value of the sponsor support in adverse scenarios can exceed the average value"(HBS.6.55). The added value of the HBS could be seen as the attempt to examine quantitatively the sponsor's ability to deliver these flexible payments when necessary (see HBS.6.26). The question remains if the actual method to assess the future economic position and earning power of a company is reliable. Also, the assessment of the future economic position of public sector entities as sponsors of IORPs poses further questions not tackled in the QIS.Serious doubts are indicated concerning the involved fundamental uncertainty of future payments (see also EAPSPI's answer to Q10). This aspect can be seen even more clearly with respect to pension protection schemes, when EIOPA states that in general the value of the pension protection scheme in the HBS shall set as the coverage rate times the Level-A technical provisions	

			(HBS.6.70) which implies for a pension protection scheme with a 100%-coverage rate that "its value is equal to the funding gap that would appear in the holistic balance sheet (including sponsor support as an asset) without the pension protection scheme. In other words, in this case the value of the pension protection scheme closes the gap."(HBS.6.71) In consequence this also implies that the loss-absorbing capacity of a "sufficiently strong" pension protection scheme with a 100% coverage rate "can be seen as a risk mitigation mechanism with full loss absorbency to reduce the SCR to zero."(HBS.6.87). EAPSPI fully agrees with this since this is in fact exactly the consequence of the quality and flexibility of the already existing security mechanisms. As a consequence, the question about the added-value of the HBS arises. EAPSPI fully agrees that a thorough examination of existing security mechanisms is important. However, the implementation of the HBS involves difficulty in terms of effort and cost to comply with all requirements and calculations to justify the limited expected gain of insight. A certain arbitrariness and the uncertainty of a precise valuation of existing security mechanisms contradict the notion of a neutral, objective and informative examination (see EAPSPI's answer to Q10 for more details). As a result, the impact of the consultation and the QIS could be twofold: ☐ either the "Holistic Balance Sheet Paradox" (see general comment): The examination confirms that the existing security	

			level and its loss-absorbing capacity for the protection of employees is sufficient, so no increases in capital requirements result and economically speaking nothing changes, but with the HBS effort and cost have increased to come to this conclusion and to safeguard this level of security, or ☐ the examination suggests a significant increase in SCR, which poses a big problem for IORPs and the sponsoring undertaking to get the necessary capital. And the result is what might be called the "Solvency II Paradox": IORPs are permanently secured against risks that are supposed to nearly never materialize. Thus benefit reductions today and in the future are necessary to secure against highly unlikely future events. Taking all these aspects into account, EAPSPI offers a different conclusion than the one drawn in the QIS draft. The existing security mechanisms, for instance of public sector IORPs, are sufficient. There is no need for a questionable quantification and to reduce them to solely financial assets in the Solvency II structure because of the flexibility and quality of those mechanisms: The existing security mechanisms of IORPs should not be seen as a part of the solvency capital to fulfill the SCR within the Solvency II structure – they have a substitutional character and should therefore replace the SCR and free IORPs from a Solvency II oriented risk-based regulation - in EIOPA's words (I.4.9): "Adjustment and security mechanisms will lower the SCR by absorbing losses incurred by the IORP in a stress situation. In other words, they act as a substitute for financial capital."	

98.	European Federation for Retirement Provision (EFRP	Q2.	Q2. Do stakeholders believe that the adjustment (discretionary and conditional benefits, last resort benefit reductions) and security mechanisms (sponsor support, pension protection schemes) IORPs dispose of are taken into account adequately? We foresee that this QIS will not give all the necessary insights for a future IORP II directive. There is too little guidance on several items such as the valuation of steering and adjustment mechanisms, which are the unique characteristics of IORPs. The lack of clarity with respect to the valuation of the steering and adjustment mechanisms will lead to large differences in the answers. These are new elements in a supervisory framework, also compared to already existing supervisory frameworks. IORPs, consultants and supervisors have no experience with the valuation of a HBS. If the European Commission would like to have an adequate overview of the answers/insights/numbers in only one QIS, more guidance and more analysis are required. Especially more guidance will be desirable with respect to the stochastic analyses, because based on the current Technical Specifications it is very likely that there will be substantial differences in interpretation. Furthermore, the applicable prudential framework is still unknown (use of MCR, tiering of assets and liabilities, recovery periods). Because the prudential framework is still unknown, the real impact on pension contributions, employers and pension benefits cannot be calculated. These elements of a prudential framework will also	Noted. EIOPA agrees that more QISs are needed Aim of QIS is also to investigate implementation of HBS and practicability of calculations There is not enough information to specify supervisory responses at this stage

			determine the value of the different valuation and steering instruments. The calculation of conditional benefits presupposes stochastic models and this will be new, like supervisory framework.	
99.	Federation of the Dutch Pension Funds	Q2.	In case there would be only one QIS, more guidance needs to be given for the stochastic analysis. Furthermore, we think that the adjustment (discretionary and conditional benefits, last resort benefit reductions) and security mechanisms (sponsor support, pension protection schemes) available to IORPs are under-analysed, if the European Commission and EIOPA want to know all the possible answers/insights/numbers in only one QIS, as has been announced. These mechanisms are new elements for EIOPA to assess and it is unlikely that they can be fully and correctly assessed in only one QIS. We question whether fully conditional and fully discretionary mechanisms which EIOPA has chosen to categorise further will be taken into account in the HBS. Legal, contractual and constructive obligations also need to be taken into account. These can even have an ex-post impact, possibly changing accrued benefits (e.g. as a consequence of the outcome of court cases). Calculations show that if the sponsor support and the pension protection scheme complete the Technical Provisions at level A,	Noted. EIOPA agrees that more QISs are needed EIOPA wishes to test all options in its advice Technical provisions equal best estimate plus risk margin. Sponsor support can reduce the SCR through its loss-absorbent capacity in stress situations Sponsor support section will be further developed

			there will always be a deficit especially with regard to the necessary capital beyond level A, since there are no assets for the risk margin. The SCR and buffer are a free surplus. Therefore the balance sheet cannot be closed (unless risk margin, free capita land SCR are zero). As Sponsor Support and Pension Protection Schemes risk margin are not supposed to be congruent (unless there is a contractual obligation to do so), there will always be a deficit if assets are not larger than the technical provisions and the risk margins. In the Netherlands, we have sponsor obligations that might be higher than the Technical provision level A, so that should be allowed for.	
100.	Financial Reporting Council – staff response	Q2.	There are many methods for taking account of the adjustment and security mechanisms. We have had insufficient time to consider whether the draft QIS takes account of them adequately.	Noted.
101.	German Institute of Pension Actuaries	Q2.	In our opinion the valuation of all the components of the holistic balance sheet is extremely complex. The valuation of sponsor support is far beyond existing valuation methods applied by IORPs. In particular, multi-employer plans will be extremely difficult to handle within the suggested framework. The simplifications recommended in the draft technical specifications are not sufficient and further simplifications are necessary. We believe that security mechanisms (sponsor support, pension protection schemes) have to be valued with a sufficiently clear and simple assessment. As mentioned before any valuation on a mark-to-market or mark-to-model basis is inappropriate. This is particularly true for the valuation of both the sponsor support and the PPS.	Noted. Security mechanism section will be further developed Market consistency principle follows from EIOPA's advice

102.	GESAMTMETALL - Federation of German employer	Q2.	No, we do not think that the adjustment (discretionary and conditional benefits, last resort benefit reductions) and security mechanisms (sponsor support, pension protection schemes) are taken into account adequately. If there will be only one QIS, this QIS should provide all the possible answers/ insights/ numbers in one QIS. With the current Draft Technical Standards and the set-up of the QIS this will not be possible. This is logical, since the adjustment and steering mechanisms are new elements (compared to other topics) for EIOPA to assess and it is unlikely that we can fully assess them correctly in one QIS. These mechanisms define the difference between pension funds and insurance companies, making the HBS even more complex than Solvency II. After 5 QISs the Solvency II framework is still unclear, with the discount curve (UFR, matching premium/counter cyclical premium) still undecided whereas the impact of the curve on the solvency position of insurance companies (and also on the markets and the economy) being extremely severe. The Commission and EIOPA will hardly be able to calibrate the adjustment and steering mechanisms right in one QIS for IORPs. It should be noted that EIOPA has detailed experience of insurance companies, but only limited experience of the holistic balance sheet and the valuation of the steering and adjustment mechanisms. Also consultants and the pension sector have very limited experience with the valuation of these mechanisms (and consultant capacity is currently focused on Solvency II).	Noted. EIOPA agrees more QISs are needed.

			Pension protection schemes are an important security mechanism for occupational pensions in Germany. In contrast to other security schemes in the financial industry which are potentially exposed to systemic risk, the German "Pensions-Sicherungs-Verein" (PSV) is backed by 91,700 employers i.e. the majority of listed companies in Germany as well as a significant portion of medium-sized enterprises In the event of employer insolvency, the PSV assumes the liability of the benefits it has insured. Benefits are insured up to a cap of €7,878 per person per month. This level would generally exceed the level of benefit that IORPs could fund on a tax preferred basis on behalf of an individual.	
103.	Groupe Consultatif Actuariel Européen	Q2.	Do stakeholders believe that the adjustment (discretionary and conditional benefits, last resort benefit reductions) and security mechanisms (sponsor support, pension protection schemes) IORPs dispose of are taken into account adequately? We agree that the adjustments and security mechanisms represent one approach of taking these features into account. However, there appears to be considerable scope for different Member States (or, within an individual country, different IORPs) to make their own judgements as to whether a particular benefit is unconditional, conditional, discretionary or mixed. Inconsistency in this area could bring into question the reliability of the results. A more iterative process – staging of the QIS - would help to ensure greater consistency and	Noted. EIOPA agrees more QISs are needed Sponsor support section will be further developed

			reliability. In our view, the issue of valuing 'sponsor support' in particular would benefit from further consideration. Sponsor structures are complex and the valuation methodology proposed does not deal with this adequately. For example – · the IORP sponsor might be one of a group of associated (and even non-associated) undertakings; · there may be several IORPs sponsored by various entities within the group; · within groups, there may be explicit or implicit cross-entity guarantees Where the IORP stands in priority of creditors in the event of sponsor support will vary from country to country and even from one IORP to another . All these facets need to be assessed in placing a value on sponsor support. Furthermore, the proposed approach to valuing sponsor support seems technically complex and precise. A number of seemingly arbitrarily-determined variables are included in certain critical points, such as the ☐ Maximum of 50% recovery rate (HBS 6.17);	

			☐ assessment of future profits and sponsors' earnings (HBS 6.36); ☐ proportion of shareholder funds available for the IORP; leaving the output open to claims of spurious accuracy. We suggest that other methods of taking account of these adjustments and mechanisms should be considered also and we will be happy to elaborate on these separately, but we have been unable to do so within the timescale for this consultation.	
104.	Hundred Group of Finance Directors	Q2.	Do stakeholders believe that the adjustment (discretionary and conditional benefits, last report benefit reductions,) and security mechanisms (sponsor support, pension protection schemes) IORS dispose of are taken into account adequately? We believe that such mechanisms should be taken into account in an assessment of the protections available to IORPS. However, we cannot comment on whether they are taken into account adequately since we do not know how the supervisory regime based on the holistic balance sheet is to work. It is essential that pension protection schemes are taken into account as part of the overall security framework available to IORPs.	Noted. There is not enough information at this stage to specify supervisory responses

105.	IBM Deutschland Pensionsfonds AG	Q2.	No. IORPs have available to them a range of adjustment mechanisms that are anchored in labor and collective bargaining law i.e. outside of prudential law. As some of these adjustment mechanisms can be scheme, industry and context specific, we do not believe it is possible to evaluate these factors using a market consistent approach with any degree of usefulness in the holistic balance sheet. Some multi-employer IORPs, for example, include a solidarity component which makes all sponsoring employers jointly liable. If necessary, benefit reductions can be negotiated between the social partners. Other schemes may apply different adjustment mechanisms which are not adequately reflected in the proposed model. It should be apparent that the QIS model for valuing sponsor support does not adequately reflect our local practice. Moreover, it is heavily laden with assumptions and the outcomes are not robust. Small changes in the inputs result in large deviations in outcomes. Pension protection schemes are an important security mechanism for occupational pensions in Germany. In contrast to other security schemes in the financial industry which are potentially exposed to systemic risk, the German Pensions-Sicherungs-Verein (PSV) is backed by 91,700 employers i.e. the majority of listed companies in Germany as well as a significant portion of the Mittelstand.	Noted. Security mechanisms section will be further developed

106.	Institute and Faculty of Actuaries	Q2.	Do stakeholders believe that the adjustment (discretionary and conditional benefits, last resort benefit reductions) and security mechanisms (sponsor support, pension protection schemes) IORPs dispose of are taken into account adequately? We consider that the QIS should investigate all possible methods of taking account of these adjustments and mechanisms and that the draft specification fails to do this. In particular it is common for UK IORPs to rank just ahead of shareholders in the corporate structure, which suggests that existing enterprise valuation techniques (which may vary according to the nature of the sponsor – for example by industry) have a role to play. We anticipate that EIOPA will need to issue more detailed guidance on discretionary and conditional benefits if it is to obtain consistent results. We are particularly concerned that the range of options for allowing sponsor support is so narrow and so far removed from the market practice that has developed in the UK. We have commissioned research from PwC and from Barrie and Hibbert on the treatment of sponsor support. We expect an initial report from them in early October but with regular updates in the meantime. We would be keen to share the results of that research with EIOPA as they become available.	Noted. Security mechanisms section will be further developed EIOPA looks forward to the results of the research
107.	Insurance Europe	Q2.	The valuation of the adjustment and security mechanisms are new concepts. EIOPA has tried to account for the specificities of IORPs. It is difficult to say these are adequate until they have been tested. Further testing may be required to ensure that	Noted. EIOPA agrees more QISs are needed

			they accurately reflect the economic reality faced by IORPs. Additionally, the testing will also provide information about the practicality of the models. However, we have doubts regarding the feasibility in practise of the proposed approach. For example, in the current approach pension protection schemes are used to back the sponsor's financial capabilities. It is more appropriate to include all protection mechanisms where parts of the obligations of the IORP are transferred to another protection vehicle. At least for the purpose of this QIS, the practical details should be specified on national level. HBS 4.34 provides three options for the inclusion of benefit. One possible way forward in the QIS is to follow option 1 and to calculate the release of liabilities of options 2 and 3 as assets in the HBS. This will benefit to further discussion based on the results of the QIS. Furthermore, while the proposed valuation methods of security mechanisms are already hard to assess for single employer, they are hardly feasible for multi-employer IORPS.	Security mechanisms section will be further developed Different adjustment mechanisms will have to be reported separately but not on the asset sided
108.	KPMG LLP (UK)	Q2.	We do not think that the sponsor support section has been adequately worked up as yet. How will this be treated for multi-employer schemes? How will it work for sponsors such as charities and other not-for-profit organisations? What allowances can be made for parent company support to sponsors, whether by way of formal guarantees or otherwise? There is also no clarity on the extent to which loss absorbing actions (such as last resort reductions, removal of discretionary benefits, changes to future benefit accruals) must be wholly in the IORP's control, or whether it can be assumed that sponsor	Noted. Sponsor support section will be further developed QIS is also intended to test implementation of holistic balance sheet in practice

			or regulatory agreement will be forthcoming when needed. Further, we are not sure whether last resort reductions that trigger on sponsor insolvency rather than following stress events on the IORP should be counted. These are just some examples of key areas where the QIS fails to adequately address features of IORP funding that cannot be directly read across from the world of insurance.	
109.	Mercer Ltd	Q2.	Do stakeholders believe that the adjustment (discretionary and conditional benefits, last resort benefit reductions) and security mechanisms (sponsor support, pension protection schemes) IORPs dispose of are taken into account adequately? The distinction made between 'Type 1' and 'Type 2' (4.12) schemes seems to us to be largely artificial. In any case, it seems excessive to require employers to finance liabilities that have not yet accrued. It is impossible to determine what is 'adequate' without understanding how the information provided via the measurement of, for example, conditional benefits, will be used. The likelihood is that the understanding of what is 'conditional' and 'discretionary', and the associated practices, will vary from country to country, and so the appropriate measure for technical provisions is also likely to vary. The result is that it will be difficult to get a consistent approach to determine the regulatory capital required to support these liabilities.	Noted. QIS is also intended to examine implementation of HBS in practice EIOPA wishes to test all options in its advice Sponsor support section will be further developed

			Overall, though, the nature of conditional benefits is that they might not be paid and so the degree of security afforded to them could be less. It is postulated that these could be considered a loss absorbing mechanism, and so the additional reserves that could be necessary, might be less. But, for many employers, the amount of the technical provisions will be a key measure and should be less for schemes that are in other ways identical, but where one has conditional benefits. Similarly, in our view, there should be no need to include discretionary benefits in technical provisions. The sections regarding sponsor support seem to have been developed without much consideration as to the very different corporate structures that support IORPs. At the simplest level many, if not most, of these are likely to be unrated (in particular recognizing that the legal recourse available to an IORP may not be to the parent entity that carries the rating) and to treat these all as though their covenant is less than investment grade is sweeping and likely to provide unreliable information. In fact, a key reason why many sponsors are unrated is because they have no financial debt nor cause to raise it, and indeed in such cases the IORP is arguably more secure than when it is competing with other creditors. At a more detailed level, the approach adopted does not seem to reflect techniques used by analysts. For example:	

			☐ The valuation of sponsor support seems largely cash flow based. This is a very narrow determinant of company strength and seems unlikely to reflect the criteria of market consistency established in HBS6.9; ☐ The calculation of maximum sponsor support assumes that companies are necessarily income generating, which is not the case. Corporate wealth can take different forms, and these will have to be recognized in the holistic balance sheet for EIOPA to understand the actual quantitative impact of its proposals. In practice, to remain viable, a sponsor needs to balance competing claims on its resources and a one size fits all approach does not appear to reflect reality. ☐ In many cases where financial statements are not in the public domain (for example unlimited liability partnerships), it is inconceivable that the sponsor makes information on its financial position available to an IORP. ☐ In many cases the legal recourse available to an IORP may be to a group company that is under no obligation to disclose its financial position. ☐ In many jurisdictions, notably Ireland, the willingness of a sponsor to support a defined benefit IORP is at least as important as the financial capacity. The QIS offers no mechanism to incorporate qualitative views on the availability of sponsor support.	
110.	National Association of Pension Funds (NAPF)	Q2.	Do stakeholders believe that the adjustment (discretionary and conditional	Noted. EIOPA agrees that

			benefits, last resort benefit reductions) and security mechanisms (sponsor support, pension protection schemes) IORPs dispose of are taken into account adequately? Although adjustment mechanisms will be of greater concern to other Member States, it is apparent that the question of how to take account of such facilities presents a new challenge for EIOPA that has not been covered in its analysis of Solvency II. There is also considerable scope for Member States to arrive at different judgements as to whether a particular benefit is unconditional, conditional or discretionary. A more iterative process – staging of the QIS - would help to ensure greater consistency and reliability. Sponsor support and pension protection are further – complex - elements that were not covered by Solvency II. The proposed methodlogy for valuing these is technically complex and precise, yet includes seemingly arbitrarily-determined variables at critical points. Much more study is required if they are to be accurately assessed for the purposes of the Holistic Balance Sheet, and this is a further reason why more than one round of QIS is required.	more QISs are needed Sponsor support section will be further developed

111.	Pension Protection Fund, UK.	Q2.	We agree individual IORPs should not need to consider the default risk of pension protection schemes. This should be considered at state level, where appropriate. We would be happy to work with EIOPA to provide reassurance on the solvency of the PPF.	Noted.
112.	Punter Southall	Q2.	Do stakeholders believe that the adjustment (discretionary and conditional benefits, last report benefit reductions) and security mechanisms (sponsor support, pension protection schemes) IORPs dispose of are taken into account adequately? We believe that the adjustment and security mechanisms detailed should be taken into account when considering the protection available to IORPs. However, this is a complex area and we do not believe that these issues can be addressed adequately in a single QIS. Further, the wider impacts of the holistic balance sheet regime are not considered. In the absence of information on the supervisory regime to be implemented, it is impossible to comment on the adequacy of these proposals.	Noted. EIOPA agrees that more QISs are needed There is not enough information at this stage to specify supervisory responses
113.	Railways Pension Trustee Company Limited (RPTCL)	Q2.	Although the adjustment and security mechanisms are generally taken into account, there is a significant aspect of RPTCL's IORPs that is not taken account of within the QIS.	Noted. Sponsor support section will be further developed

			The majority of RPTCL's pension schemes are shared cost arrangements with 40% of total contributions, including those required to meet any shortfall of assets relative to technical provisions, being met by contributing members to the schemes. In our case, there are around 85,000 such members and RPTCL has concerns that the combination of the holistic balance sheet and the adjustment mechanisms could have a very significant and adverse financial impact on these people. Indeed some may effectively be forced to leave the scheme. RPTCL recommends that allowance for shared cost schemes – or other arrangments which require members to assist with the funding of shortfalls – and the potential increase in member contribution rates is made within the QIS. Within this, account should be taken of the relatively limited ability for contributing members to make any significant increase to their contributions in the future when the IORP has fewer assets than those required to cover liabilities.	
114.	RWE Pensionsfonds AG	Q2.	The formula for sponsor support is so complicated that it is not obious what specific changes mean and whether the result is really wanted. E.g. how much earnings volatility of the sponsor is acceptable without higher capital needs for the IORP? What is in this regard the right understanding of the interaction of ratings and earnings (e.g. rating downgrade in a year of rising earnings?). As far as we can see,in the QIS specification, group situations	Noted. Sponsor support section will be further developed

			with several (as a rule interdependent) sponsers and situtions where the sponsor is a fully-owned subsidiary are not reflected. As a consequence, we believe that sponsor support should be recognized as an asset in the HBS to the extend there are legal or contractual commitments without additional calculations and that the economical capacity of the sponsor should only be taken into consideration in cases where there are substantiated doubts on the sponsor's ability to fulfill his commitments.	
117.	Tesco Plc	Q2.	The proposed approach to valuing pension protection schemes and sponsor covenant is too complex EIOPA's proposed approach to valuing pension protection schemes and sponsor covenant is far too complex, creating unnecessary extra work and increased costs with no added value. Again, it is a very difficult task to devise a formula to value 27 different pension systems with varying security mechanisms. We believe EIOPA would be better placed to devise a broad framework, leaving the detailed methodology and implementation to member states, with the flexibility to cater for the different circumstances of individual IORPs and security mechanisms. Furthermore, it is impossible to give meaningful comments on EIOPA's proposals when it has specified that the techniques outlined for pension protection schemes and sponsor covenant may not be the ones that will be implemented in practice. In this regard, it would also be helpful for EIOPA to share the	Noted. Sponsor support section will be further developed

			spreadsheets on valuing the pension protection scheme with stakeholders, as this would improve the quality of consultation responses in this area. In general, we ask that a simpler method is adopted and the consultation is extended to give more time for the industry to explore alternatives. Pension Protection Schemes and additional security mechanisms should be recognised in the Holistic Balance Sheet We are very concerned that EIOPA is considering omitting pension protection schemes from the HBS. The UK's Pension Protection Fund (PPF) is a fundamental part of the UK pension system. In the UK, companies with a defined benefit scheme pay a levy to the PPF. The levy ensures that, in the event of employer insolvency, the PPF can provide a significant proportion of the member's original benefits. Including the PPF in the HBS would also provide an objective representation of the "solvency" position of an IORP. This would usefully allow direct comparison of the financial position of IORPs in different member states.	

			The HBS fails to recognise the value of good governance – one of the strongest mechanisms to ensure pension security in the UK The Holistic Balance sheet fails to take into account the benefit that strong governance structures have in improving the security of members' benefits. In the UK we have formal Trustee boards who have a legal duty to regularly monitor and challenge companies as part of the funding regime. We also have the Pensions Regulator who has the power to force companies to pay more into the pension scheme. These elements should also be recognised and included as "assets" on the HBS.	
118.	Towers Watson B.V.	Q2.	Do stakeholders believe that the adjustment (discretionary and conditional benefits, last resort benefit reductions) and security mechanisms (sponsor support, pension protection schemes) IORPs dispose of are taken into account adequately? We think this is one way to represent the the adjustment and security mechanisms. Having said that, it does seem to us that for the Dutch context the valuation is overly complex. Aside from sponsor support, the HBS must, by definition, balance. The values of future indexation, benefit reduction and accrued benefits should add up to the value of the assets. A full stochastic valuation would then determine the values of each of the three components. If it is the purpose of the IORP Directive to provide more transparency to members, we doubt that this	Noted. EIOPA will reconsider holistic balance sheet after QIS

			approach will provide that transparency. The ratio between the values will be different between members. A continuity analysis (an ALM-like approach that is currently an element of the Dutch Financial Assessment Framework) may well provide more insight for individual members, as it yields the expected indexations and reductions as well as other percentiles for each year into the future, rather than the total value of each component. There appear to be complexities arising from uncertainty as to exactly what benefits constitutes an unconditional, conditional, discretionary or mixed benefit. This inevitably leads to considerable scope for different Member States (or, within an individual country, different IORPs) to make their own judgements. With respect to sponsor support: we doubt whether it is always clear what part of the contribution relates to existing obligations and should or can therefore be considered additional contributions. We note that the fact that regular contributions aren't refered to in the consultation adds to this lack of clarity. Arbitrarily determined variables are applied in a number of critical points, such as (amongst others): ☐ the 50% recovery rate (HBS 6.17); ☐ the assessment of future profits and sponsors' earnings (HBS 6.36);	

			☐ the proportion of shareholder funds available for the IORP; ☐ the 50 bp adjustment to allow for the illiquidity premium (HBS 8.12); ☐ the inflation and salary increase assumptions (HBS 8.23 and 8.24, respectively); ☐ the mortality and longevity shocks of 15% and 20 % (SCR 7.17 and 7.29, respectively) and ☐ the figures in the counter-party default risk module.	
119.	Towers Watson GmbH, Germany	Q2.	The suggested adjustments and security mechanisms are indeed one approach of taking these features into account. As mentioned above, there appear to be complexities arising as to exactly what benefits constitutes an unconditional, conditional, discretionary or mixed benefit. This inevitably leads to considerable scope for different Member States (or, within an individual country, different IORPs) to make their own judgements. As mentioned previously, we consider that a more inclusive process – along the lines undertaken in the Solvency II project for insurers – would be prudent. This would allow EIOPA and others to publish further guidance to ensure greater consistency. In our view, the issue of valuing 'sponsor support' needs more	Noted. EIOPA agrees more QISs are needed Sponsor support section will be further developed EIOPA will reconsider holistic balance sheet after QIS

			thought. In particular, it is by no means uncommon for an IORP not to have a 'single' sponsor, but several. For example, within a group environment there may be several IORPs sponsored by various entities within the group. It is also quite common for these group entities to be dispersed across Europe and beyond. Within groups there may be explicit or implicit cross-entity guarantees. How are these facets to be assessed in placing a value on sponsor support? Furthermore, the proposed approach to valuing sponsor support can indeed be termed technically precise. But will it really help in the event, if most of the data will be historical, sometimes quite old in fact? Also, arbitrarily determined variables are applied in a number of critical points, such as (amongst others) the 50% recovery rate (HBS 6.17); the assessment of future profits and sponsors' earnings (HBS 6.36); the proportion of shareholder funds available for the IORP; the 50 bp adjustment to allow for the illiquidity premium (HBS 8.12); the inflation and salary increase assumptions (HBS 8.23 and 8.24, respectively); the mortality and longevity shocks of 15% and 20 % (SCR 7.17 and 7.29, respectively) and the figures in the counter-party default risk module. Recognising the scope for misleading precision in the calculation methodology, we consider that the QIS should consider other and simpler methods of taking account of these adjustments and mechanisms. One simplification that seems worth considering is to include only the maximum value of sponsor support and security mechanisms in the HBS. Only the gross	

			SCR would be shown on the liability side (although see our earlier comments about the relevance of an SCR calculation for IORPs). The Towers Watson proposal of 11th June 2012 to Commissioner Barnier for a new regulatory framework went into this direction.	
120.	Towers Watson UK	Q2.	Do stakeholders believe that the adjustment (discretionary and conditional benefits, last resort benefit reductions) and security mechanisms (sponsor support, pension protection schemes) IORPs dispose of are taken into account adequately? We believe that the adjustments and security mechanisms do indeed represent one approach of taking these features into account. However, there appears to be considerable scope for different Member States (or, within an individual country, different IORPs) to make their own judgements as to whether a particular benefit is unconditional, conditional, discretionary or mixed. This could call into question the reliability of the results. As mentioned previously, we consider that a more iterative process – along the lines undertaken in the Solvency II project for insurers – would be prudent. This would allow EIOPA and others to publish further guidance to ensure greater consistency. In our view, the issue of valuing 'sponsor support' needs far more thought particularly in the context of complex corporate structures. For example: ☐ the sponsor of an IORP is often one of a group of associated undertakings ☐ companies often sponsor multiple IORPs	Noted. EIOPA agrees more QISs are needed Sponsor support section will be further developed EIOPA will reconsider holistic balance sheet after QIS

			☐ multiple IORPs may have multiple sponsors dispersed across the EEA and beyond in common with cross shareholdings and cross-entity guarantees. QIS calculations we have carried out have shown in one case that the value of the support of the actual sponsor would be multiple £billions greater than looking through to the group level. The QIS does not identify which of these 'sponsors' should be included within the calculation. Furthermore, the proposed approach to valuing sponsor support seems technically complex and precise but the results are sensitive to some of the subjective judgements required. We would argue that this is not a desirable quality for any model. For example, arbitrarily determined variables are applied in a number of critical points, such as the 50% recovery rate (HBS 6.17); the assessment of future profits and sponsors' earnings (HBS 6.36); the proportion of shareholder funds available for the IORP; the 50 bp adjustment to allow for the illiquidity premium (HBS 8.12); the inflation and salary increase assumptions (HBS 8.23 and 8.24, respectively); the mortality and longevity shocks of 15% and 20 % (SCR 7.17 and 7.29, respectively) and the figures in the counter-party default risk module (amongst others). In addition, the calculation of the actual value of security mechanisms means that the HBS will almost always show a shortfall, regardless of the strength of the sponsor, which seems flawed. We therefore consider that the QIS should consider other methods of taking account of these adjustments and mechanisms allowing for the approaches that have developed in the UK market since the implementation of IORP 1. The	

			timescale for the consultation exercise has not allowed adequate consideration of all the possible approaches, but one simplification that seems worth considering is to include only the maximum value of sponsor support and security mechanisms in the HBS. Only the gross SCR would then be shown on the liability side (although see our earlier comments about the relevance of an SCR calculation for IORPs).	
121.	Trades Union Congress (TUC)	Q2.	Our general comments outlined our view that the holistic balance sheet approach fails to capture the security mechanisms inherent in the UK pensions system. Although the government understandably has no statutory role in underpinning the Pension Protection Fund (PPF), it is likely that the government would be called upon to provide financial assistance in the event that the PPF was unable to meet its liabilities. Revising the IORP Directive in the way proposed by EIOPA would make this eventuality more rather than less likely. Certainly, it is highly unlikely that a single QIS will be able to fully assess the various security mechanisms that make up integral features of UK pensions provision, especially given the exclusion of very important elements of the prudential framework such as recovery periods. We also believe that the approach outlined in the consultation document implicitly prescribes discretionary and conditional benefits, in order to reduce solvency capital requirements. Discretionary and conditional benefits are less common in the	Noted. EIOPA agrees more QISs are needed

			UK, for various reasons, and we do not believe it would be beneficial to occupational pension scheme members in the UK to recommend such reforms.	
122.	Universities Superannuation Scheme Limited	Q2.	Do stakeholders believe that the adjustment (discretionary and conditional benefits, last resort benefit reductions) and security mechanisms (sponsor support, pension protection schemes) IORPs dispose of are taken into account adequately? These issues have less importance for IORPs in the UK as they do not generally have conditional benefits, nor indeed have the ability to make last resort benefit reductions; these will be of greater concern to other Member States. Sponsor support and pension protection are further – complex – elements that were not covered by the QIS for solvency II for insurers, and the lack of detail about these issues is very apparent. Much more study is required if they are to be accurately assessed for the purposes of the Holistic Balance Sheet, and this is a further reason why more than one round of QIS is required.	Noted. Security mechanisms section will be further developed EIOPA agrees more QISs are needed
123.	UVB Vereinigung der	Q2.	No, we do not think that the adjustment (discretionary and	Noted.

	Unternehmensverbände in Berlin		conditional benefits, last resort benefit reductions) and security mechanisms (sponsor support, pension protection schemes) are taken into account adequately. If there will be only one QIS, this QIS should provide all the possible answers/ insights/ numbers in one QIS. With the current Draft Technical Standards and the set-up of the QIS this will not be possible. This is logical, since the adjustment and steering mechanisms are new elements (compared to other topics) for EIOPA to assess and it is unlikely that we can fully assess them correctly in one QIS. These mechanisms define the difference between pension funds and insurance companies, making the HBS even more complex than Solvency II. After 5 QISs the Solvency II framework is still unclear, with the discount curve (UFR, matching premium/counter cyclical premium) still undecided whereas the impact of the curve on the solvency position of insurance companies (and also on the markets and the economy) being extremely severe. The Commission and EIOPA will hardly be able to calibrate the adjustment and steering mechanisms right in one QIS for IORPs. It should be noted that EIOPA has detailed experience of insurance companies, but only limited experience of the holistic balance sheet and the valuation of the steering and adjustment mechanisms. Also consultants and the pension sector have very limited experience with the valuation of these mechanisms (and consultant capacity is currently focused on Solvency II).	EIOPA agrees more QISs are needed.

			Pension protection schemes are an important security mechanism for occupational pensions in Germany. In contrast to other security schemes in the financial industry which are potentially exposed to systemic risk, the German "Pensions-Sicherungs-Verein" (PSV) is backed by 91,700 employers i.e. the majority of listed companies in Germany as well as a significant portion of medium-sized enterprises In the event of employer insolvency, the PSV assumes the liability of the benefits it has insured. Benefits are insured up to a cap of €7,878 per person per month. This level would generally exceed the level of benefit that IORPs could fund on a tax preferred basis on behalf of an individual.	
124.	vbw – Vereinigung der Bayerischen Wirtschaft e. V.	Q2.	No, we do not think that the adjustment (discretionary and conditional benefits, last resort benefit reductions) and security mechanisms (sponsor support, pension protection schemes) are taken into account adequately. If there will be only one QIS, this QIS should provide all the possible answers/ insights/ numbers in one QIS. With the current Draft Technical Standards and the set-up of the QIS this will not be possible. This is logical, since the adjustment and steering mechanisms are new elements (compared to other topics) for EIOPA to assess and it is unlikely that we can fully assess them correctly in one QIS. These mechanisms define the difference between pension funds and insurance companies, making the HBS even more complex than Solvency II. After 5 QISs the Solvency II framework is still unclear, with the discount curve (UFR, matching premium/counter cyclical	Noted. EIOPA agrees more QISs are needed.

			premium) still undecided whereas the impact of the curve on the solvency position of insurance companies (and also on the markets and the economy) being extremely severe. The Commission and EIOPA will hardly be able to calibrate the adjustment and steering mechanisms right in one QIS for IORPs. It should be noted that EIOPA has detailed experience of insurance companies, but only limited experience of the holistic balance sheet and the valuation of the steering and adjustment mechanisms. Also consultants and the pension sector have very limited experience with the valuation of these mechanisms (and consultant capacity is currently focused on Solvency II). Pension protection schemes are an important security mechanism for occupational pensions in Germany. In contrast to other security schemes in the financial industry which are potentially exposed to systemic risk, the German "Pensions-Sicherungs-Verein" (PSV) is backed by 91,700 employers i.e. the majority of listed companies in Germany as well as a significant portion of medium-sized enterprises In the event of employer insolvency, the PSV assumes the liability of the benefits it has insured. Benefits are insured up to a cap of €7,878 per person per month. This level would generally exceed the level of benefit that IORPs could fund on a tax preferred basis on behalf of an individual.	
125.	Vereinigung der hessischen	Q2.	No, we do not think that the adjustment (discretionary and	Noted.

	Unternehmerverbände (Vh		conditional benefits, last resort benefit reductions) and security mechanisms (sponsor support, pension protection schemes) are taken into account adequately. If there will be only one QIS, this QIS should provide all the possible answers/ insights/ numbers in one QIS. With the current Draft Technical Standards and the set-up of the QIS this will not be possible. This is logical, since the adjustment and steering mechanisms are new elements (compared to other topics) for EIOPA to assess and it is unlikely that we can fully assess them correctly in one QIS. These mechanisms define the difference between pension funds and insurance companies, making the HBS even more complex than Solvency II. After 5 QISs the Solvency II framework is still unclear, with the discount curve (UFR, matching premium/counter cyclical premium) still undecided whereas the impact of the curve on the solvency position of insurance companies (and also on the markets and the economy) being extremely severe. The Commission and EIOPA will hardly be able to calibrate the adjustment and steering mechanisms right in one QIS for IORPs. It should be noted that EIOPA has detailed experience of insurance companies, but only limited experience of the holistic balance sheet and the valuation of the steering and adjustment mechanisms. Also consultants and the pension sector have very limited experience with the valuation of these mechanisms (and consultant capacity is currently focused on Solvency II).	EIOPA agrees more QISs are needed.

			Pension protection schemes are an important security mechanism for occupational pensions in Germany. In contrast to other security schemes in the financial industry which are potentially exposed to systemic risk, the German "Pensions-Sicherungs-Verein" (PSV) is backed by 91,700 employers i.e. the majority of listed companies in Germany as well as a significant portion of medium-sized enterprises In the event of employer insolvency, the PSV assumes the liability of the benefits it has insured. Benefits are insured up to a cap of €7,878 per person per month. This level would generally exceed the level of benefit that IORPs could fund on a tax preferred basis on behalf of an individual.	
126.	Zusatzversorgungskasse des Baugewerbes AG	Q2.	No, ZVK-Bau does not believe that the adjustment and security mechanisms IORPs dispose of are taken into account adequately. ZVK-Bau's adjustment and security mechanisms like contribution raises, adjustment of accrued rights and last resort benefit reductions are codified in national social and labor law. As a paritarian organized IORP whose scheme is based on collective bargaining agreements adjustments consider 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 the collective bargaining processes of the construction industry. They are fixed in the best interest of sponsors and beneficiaries to provide a long-lasting equilibrium between productivity of the	Noted. Sponsor support section will be further developed

			sponsors on one side and wage and fringe benefit justice for the beneficiaries on the other side. The powers to fix and – if needed in 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 labor law too. 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 or "normal" sponsor support. The QIS should provide opportunities to transport and value this kind of information. Within paritarian IORPs every raise of the pension funds' contribution 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 the employees too because the latter refrain 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. Given the suggestions of the consultation concerning a 3 % wage increase per year (HBS.8.24)we assume a contribution raise potential up to 3 % of gross wage increase a year in case of pension fund distress. This works for the whole, longer than one year lasting recovery	

			period. As mentioned in the General Comments we believe that EIOPA does not also provide enough detail on how to treat multi-employer industry-wide schemes.The proposed model suits only cases where there is one sponsor for a single pension scheme.	
127.	OPSG	Q3.	The "old-items" – which are directly copied from Solvency II – are sufficiently clear and well documented. The "new-items" – such as the valuation of the steering and adjustment mechanisms – are understudied and insufficiently clear, more guidance is necessary. Here are some examples: ☐ The HBS requires complex (option) techniques. There is little attention to these techniques in the technical specifications. ☐ The relation between the valuation of the different steering and adjustment mechanisms and prudential framework is important, but unknown (e.g. length of recovery plans, tiering). ☐ The valuation of liabilities and contingent assets is dependent on many difficult assumptions. Note there is no market for long dated liabilities, for wage indexation and long term volatility (important for contingent assets and liabilities like sponsor support and conditional indexation). ☐ It is unclear how incomplete pension contracts/discretionary benefits should be valued. ☐ How many years of use of steering instruments may be included? The more years of extra contributions, the lower the	Noted. There is not enough information at this stage to specify supervisory responses Security mechanisms section will be further developed

			capital requirement. ☐ The OPSG supports the proposal that the specific characteristics of IORPs, like sponsor support and pension protection schemes, are taken into account. However, the methodology to take sponsor (employer) support and pension protection schemes into account is of an incredible complexity and gives significant rise to doubts whether this issue and its nature (even from a SLL perspective) is really understood. Given the fact that the valuation of sponsor support and pension protection schemes are new concepts, then the need for a profound discussion on these topics is manifest. Stakeholders should have the opportunity to respond not only to the technical standards, but also on the draft QIS spread sheet before the QIS performed. It is unclear if the reporting template will be set up in such a way, that it will also be useful for auditors. It would have been easier for stakeholders to respond to this consultation, if a draft spread sheet for the QIS was already attached to the consultation document.	
128.	aba Arbeitsgemeinschaft für betriebliche Altersver	Q3.	No. The draft technical specifications are too complex and not sufficiently clear and understandable. As a result many IORPs will not take part in the QIS which will disproportionately affect multi-employer IORPs, small IORPs and those who largely outsource their operations with the result that EIOPA will receive a distorted picture of the quantitative impact of the proposed regulations. Most importantly, this QIS will not provide sufficient information	Noted. Solvency II based approach follows from Commission's CfA EIOPA's advice stressed importance of proportionality, but there is not enough information on

			because its approach is too narrow. The draft technical specifications are purely based on Solvency II models whilst other options are not taken into account. Hence, the study will not enable EIOPA to gain a truly holistic view of IORPs' economic position. The main driver of the quantitative impact of the proposed regulations will be the discount rate used to calculate the best estimate of liabilities. This is a calculation that is relatively straightforward, if applied in the context of the existing actuarial methodology, and could be undertaken by all IORPs. EIOPA should, therefore, focus on those variables that will explain the bulk of the impact. Unfortunately, the spreadsheets which EIOPA will be supplying were not part of the QIS draft technical specifications. As such, the QIS will be, at least for many IORPs, an exercise in which they enter data into a "black box". It is unlikely that IORPs will have the necessary input data nor be able to perform adequate plausibility checks (on inputs and outputs) if they do not understand what the model is calculating, thereby leading to the "garbage-in garbage-out" phenomenon. We would have expected the Commission/EIOPA to respect the principle of proportionality and exempt smaller IORPs from the proposed regulations.	practicability of calculations at this stage to specify rules on proportionality

129.	AEIP – The European Association of Paritarian Inst	Q3.	No, AEIP does not believe that the draft technical specifications provide enough information and are sufficiently clear and understandable. There is a substantial difference between the first part, dedicated to the implementation of the Holistic Balance Sheet, and the second part, dedicated to the SCR and MCR calculations. AEIP stresses that the latter is sufficiently clear, but this is so because it is directly taken from the Solvency II QIS5, which is the results of several years of analysis and evaluations. On the other hand, the information provided in the chapters dedicated to the Holistic Balance Sheet is too unclear and needs to be further improved. Indeed, too many assumptions need to be made, with a great risk of pseudo-security and model risk. In some Member States some specifications might be even difficult to apply, as they cross the split between prudential and SLL. The draft technical specifications do not provide information concerning PAYG elements that some IORPs dispose of. Although in general, AEIP regards the market-consistent approach as inappropriate for IORPs, we criticize the design of the ultimate forward rate in particular. We believe that the	Noted. Shorter convergence not included to keep QIS manageable for 100 bps CCP included, but serves only as an approximation of formula based approach UFR is derived from long-term inflation and economic growth and hence should not be different The questionnaire will include questions on nature of sponsor support

			speed of convergence to the ultimate forward rate of 4.2% is too slow. Referring to point HBS.8.7 starting from the last liquid point in the yield curve it will last up to 40 years to be sufficiently close to the UFR. Since the last liquid point in the EUR yield curve is the 20yr bucket this implies that the forward rates of the yield curve will be sufficiently close to the UFR not until 60 years. We would like to point out that this is not in line with the way IORPs invest money. The maximum maturity of assets usually available to IORPs in the EUR zone is between 20 and 30 years. Therefore investing our money today we will have to return to the capital markets and reinvest this money in at most 30 years. And of course these reinvestments will be done at the yield, which will be valid in 30 years. Furthermore we believe that the level and the volatilities of the risk neutral forward rates bootstrapped from the yield curve are bad approximations for the real expected values of the rates and their volatilities, which we will find in the capital markets in 30 years. For this reason we think that the extrapolation of the yield curve should start at the 20yrs bucket and result in forward rates which are close to the UFR at the 30yr bucket. Concerning the ultimate forward rate and the adjustment spread for market illiquidity and credit risk exaggeration we suggest the following argument: the liabilities of IORPSs should usually be more “illiquid” than the liabilities of life insurance companies. Therefore the level of these rates should also be higher than the corresponding rates for insurance companies. E.g. we suggest a matching/counter-cyclical premium of 0.8% instead of 0.5% given the current situation at the capital	

			markets and a UFR of 4.5% instead of 4.2%. As mentioned already, AEIP finally proposes that within the QIS, IORPs should deliver an overview of the legal framework of their operations if they consider this relevant for assessing their security level properly. This regards the whole system of security mechanism including their possibilities and mechanisms of contribution raises, adjustment of accrued rights and last resort benefit reductions.	
133.	Aon Hewitt	Q3.	The proposals are certainly not "clear and understandable" – the extremely complex nature of the proposed calculations means that this is a very difficult target. There appears to be a mixture of deterministic projections, projections on arbitrary distributions, projections on real world probability distributions and projections on risk neutral probability distributions. Whilst the purpose of the calculations remains unclear, we believe it should be possible to significantly reduce the number of calculations and provide more information for policy decisions. We would be pleased to share our views on this with you, once it becomes clearer how the results of the QIS will be used in practice.	Noted.
134.	Association of British Insurers	Q3.	The technical specification is highly detailed and very complex given the timescales to respond to the consultation. The ABI also doubts whether IORPs will have sufficient expertise or time to respond to the consultation within the timescales.	Noted

135.	Association of Consulting Actuaries UK	Q3.	The intent of the draft QIS in relation to the calculation of technical provisions is generally clear.	Noted
136.	Balfour Beatty plc	Q3.	Do stakeholders believe that the draft technical specifications provide enough information and are sufficiently clear and understandable? Which parts could be improved upon? We consider that the technical specification is far too complex to be widely understood.	Noted
137.	Barnett Waddingham LLP	Q3.	The document as drafted is immensely long and technical, and not likely to be understandable to the vast majority of IORPs. While advisers can interpret the document, this is going to give rise to costs for IORPs. In terms of the document's structure, the section on proportionality would be better placed towards the beginning of the document, and would benefit from clarification – in particular are IORPs required to undertake the full and simplified calculations before deciding which to use, or whether to exclude that item on the grounds of materiality. The document could also better highlight key points. The document is rife with insurance jargon, due to large parts of it having been transposed from Solvency II without sufficient consideration. EIOPA should translate this to equivalent pension scheme concepts, and, where there is no equivalent	Agreed, proportionality section moved to introduction in condensed form

			concept, consider removing that portion.	
138.	BASF SE	Q3.	Do stakeholders believe that the draft technical specifications provide enough information and are sufficiently clear and understandable? Which parts could be improved upon? IORPs and consultants of the pension industry have no experience in the Solvency II framework – particularly with the valuation of the adjustment and security mechanisms. The evaluation of adjustment and security mechanisms requires complex techniques (stochastic simulations and option price models). Given the fact that this is the first QIS, we believe that the technical specifications are too complex and will make many IORPs to decide not to take part in the QIS. Furthermore, numbers generated in the QIS when applying the HBS approach will be based on an accumulation of many assumptions. Consequently, we doubt that the HBS will provide reliable information about the schemes' "real" funding situation.	Noted.
139.	Bayer AG	Q3.	No, because they are in the one hand side by far too complicated (see also general comment above), so that a majority of IORP's will not be able to perform the calculations at reasonable efforts. On the other hand, this QIS will not offer enough information, since its scope is much too narrow: Only one methodology – namely that of Solvency II – together with some options regarding only details within the model is pursued. Other approaches are not tested.	Noted. Solvency II based approach follows from Commission's CfA
140.	Bayerischer Industrieverband Steine	Q3.	The "old-items" – which are obviously directly copied from Solvency II – are sufficiently clear and well documented. The	Noted.

	und Erden e.V.		"new-items" – such as the valuation of the steering and adjustment mechanisms – are understudied and insufficiently clear and needs more guidance. Some examples: - The Holistic Balance Sheet requires complex (option) techniques. There is little attention to these techniques in the Technical Specifications; - The relation between the valuation of the different steering and adjustment mechanisms and prudential framework is important, but unknown (e.g. length of recovery plans, tiering); - Many very difficult assumptions to valuate the liabilities and contingent assets: no market for long dated liabilities, for wage indexation and long dated volatility (important for contingent assets and liabilities like sponsor support and conditional indexation); - It is unclear how incomplete pension contracts/discretionary benefits should be valued; - How many years of use of steering instruments may be included? The more years of extra contributions, the lower the capital requirement. - The methodology to take sponsor (employer) support and pension protection schemes into account is of an incredible complexity and gives significant rise to doubts whether this issue and its nature (even from a social- and labor law perspective (SLL) is really understood due to the missing experience of EIOPA and MS supervisory authorities to deal with these SLL driven issues appropriately from a supervisory perspective.	Not enough information at this stage to specify supervisory responses Security mechanisms section will be further developed

			Stakeholders should have the opportunity to respond not only to the technical standards, but also on a draft QIS spread sheet before the QIS will be performed. Furthermore, it would have been easier for stakeholders to respond to this consultation, if a draft spread sheet for the QIS was already attached to the consultation document.	
141.	BDA Bundesvereinigung der Deutschen Arbeitgeberver	Q3.	The “old-items” – which are obviously directly copied from Solvency II – are sufficiently clear and well documented. The “new-items” – such as the valuation of the steering and adjustment mechanisms – are understudied and insufficiently clear and needs more guidance. Some examples: - The Holistic Balance Sheet requires complex (option) techniques. There is little attention to these techniques in the Technical Specifications; - The relation between the valuation of the different steering and adjustment mechanisms and prudential framework is important, but unknown (e.g. length of recovery plans, tiering); - Many very difficult assumptions to valuate the liabilities and contingent assets: no market for long dated liabilities, for wage indexation and long dated volatility (important for contingent assets and liabilities like sponsor support and conditional indexation); - It is unclear how incomplete pension contracts/discretionary benefits should be valued;	Noted. Not enough information at this stage to specify supervisory responses Security mechanisms section will be further developed

			- How many years of use of steering instruments may be included? The more years of extra contributions, the lower the capital requirement. - The methodology to take sponsor (employer) support and pension protection schemes into account is of an incredible complexity and gives significant rise to doubts whether this issue and its nature (even from a social- and labor law perspective (SLL) is really understood due to the missing experience of EIOPA and MS supervisory authorities to deal with these SLL driven issues appropriately from a supervisory perspective. Stakeholders should have the opportunity to respond not only to the technical standards, but also on a draft QIS spread sheet before the QIS will be performed. Furthermore, it would have been easier for stakeholders to respond to this consultation, if a draft spread sheet for the QIS was already attached to the consultation document.	
142.	BdS – Bundesverband der Systemgastronomie e.V.	Q3.	The "old-items" – which are obviously directly copied from Solvency II – are sufficiently clear and well documented. The "new-items" – such as the valuation of the steering and adjustment mechanisms – are understudied and insufficiently clear and needs more guidance. Some examples: - The Holistic Balance Sheet requires complex (option) techniques. There is little attention to these techniques in the Technical Specifications;	Noted. Not enough information at this stage to specify supervisory responses Security mechanisms section will be further developed

			- The relation between the valuation of the different steering and adjustment mechanisms and prudential framework is important, but unknown (e.g. length of recovery plans, tiering); - Many very difficult assumptions to valuate the liabilities and contingent assets: no market for long dated liabilities, for wage indexation and long dated volatility (important for contingent assets and liabilities like sponsor support and conditional indexation); - It is unclear how incomplete pension contracts/discretionary benefits should be valued; - How many years of use of steering instruments may be included? The more years of extra contributions, the lower the capital requirement. - The methodology to take sponsor (employer) support and pension protection schemes into account is of an incredible complexity and gives significant rise to doubts whether this issue and its nature (even from a social- and labor law perspective (SLL) is really understood due to the missing experience of EIOPA and MS supervisory authorities to deal with these SLL driven issues appropriately from a supervisory perspective. Stakeholders should have the opportunity to respond not only to the technical standards, but also on a draft QIS spread sheet before the QIS will be performed. Furthermore, it would have been easier for stakeholders to respond to this consultation, if a draft spread sheet for the QIS was already attached to the	

			consultation document.	
143.	Belgian Association of Pension Institutions (BVPI-	Q3.	No. A lot of specifications seem to be understudied. Any mistake in the calculation of the technical provision will be amplified in other elements such as risk margin and SCR. Sometimes, it seems very difficult to translate the general concepts to a specific national context. In case of no further clarification, choices will be driven by a pragmatic and cost effective approach. Herewith some examples: ☐ In Belgium we currently have a clear split between social labour law and prudential legislation. Social labour law has an impact on the plan rules. Prudential legislation do impact the plan funding level in the IORP. Not all social labour law requirements are fully prefunded via the IORP e.g. the social labour minimum guarantee of 3.25% on employer contributions in a defined contribution plan require only external (IORP or group insurance) funding upon leaving, transfer, death or retirement. As social and labour legislation and not the plan as such is requiring an interest guarantee, is it correct to consider the plan as a pure Defined Contribution (DC) benefit without any guarantee in the IORP? ☐ Under Belgian Social and Labour Law retirement benefit	Noted. National supervisor will assist in translating technical specifications to national situation

			plans can be ended or replaced for future service, but in doing so, a dynamic approach will have to be applied, which means that (only for active members), past service benefits in the former plan are to be revalued to take into account salary increases. Stopping a plan without such revaluation of the past services can only be done under exceptional conditions. Are such revaluations to be considered as "accruing new benefits with respect to the future services" , or not? It seems us that the answer is "not", because no new benefits are calculated on the future services. We only have a revalorization of the (stopped) past services, only for active people, and not in all circumstances. If you agree that the answer is "not" the Belgian DB would have to be considered as "type 1". We would have then to apply HBS.4.13 Can we then calculate an ABO our do we have to calculate a PBO ? It seems us that it should be an ABO. If it is a PBO, it would seem us logical to take also account of the contributions corresponding to future salary increases (like in HBS.4.14), but that isn't foreseen in HBS.4.13. Only these two examples show that one or another interpretation might have a big impact on the calculation process and or results. For more detailed questions, please refer to the specific questions on the different paragraphs	
144.	BlackRock	Q3.	Please see our General Comment above.	
145.	Bosch Pensionsfonds AG	Q3.	The draft technical specifications for the "old items" – which	Noted.

			have been directly copied from Solvency II – are sufficiently clear and well documented. However, for IORPs they are unnecessarily detailed and complex. The "new items" – such as the valuation of adjustment and security mechanisms – are over complex, insufficiently clear and understudied.	
146.	Bosch-Group	Q3.	The draft technical specifications for the "old items" – which have been directly copied from Solvency II – are sufficiently clear and well documented. However, for IORPs they are unnecessarily detailed and complex. The "new items" – such as the valuation of adjustment and security mechanisms – are over complex, insufficiently clear and understudied.	Noted.
147.	BT Group plc	Q3.	Do stakeholders believe that the draft technical specifications provide enough information and are sufficiently clear and understandable? Which parts could be improved upon? Overall, the technical specification is very complex and within the short time frame provided, it is unlikely that many IORPS or sponsors will have been able to provide a response to the consultation. From discussions with other large employers, we are aware that a large number of companies are against the proposals, but do not have sufficient expertise or time to have responded within the timescales provided. In our view, the areas that have been copied and pasted from Solvency II typically provide enough information. It is the new	Noted. Sponsor support section will be further developed EIOPA considers that more QISs are needed

			areas that are frequently unclear. As an example, there is insufficient detail on which employer within a Group structure is the correct entity to use for the covenant calculation (see later comments). This lack of clarity in areas raises questions on whether EIOPA has given sufficient time to developing this QIS and, as drafted, whether there can be any confidence in the results of the QIS being sufficient for making policy decisions.	
148.	BTPS Management Ltd	Q3.	We believe that the specifications are too technical and deviate too far from any current evaluation methods for most UK IORPs and their advisers to understand. Notwithstanding this complexity and technicality, there is not enough flexibility – for small pension schemes to use a really simple model while the largest sophisticated IORPs could apply their own scheme-specific models or methodologies. We firmly believe that a significantly less detailed approach would be more suitable, which could introduce a regime flexible enough to apply across a range of different scales and types of IORPs and across the EU to reflect appropriately the different structures and natures of the relevant regimes and IORPs. This would probably require a high level set of principles which could be interpreted according to local and specific circumstances.	Noted.
149.	Deloitte Total Reward and	Q3.	No.	Partially agreed.

	Benefits Limited (UK)		The specifications do not provide sufficient clarity on the formation of the balance sheet in its totality i.e. what levels and types of assets are required to meet certain levels of liabilities. It is essential for an effective consultation to provide an overview of how EIOPA see the individual components of the balance sheet working together. In addition to the lack of clarity surrounding the structure of the balance sheet, we note that no detail has been provided in respect of the implications and purpose of the balance sheet. Stakeholders cannot provide considered feedback on individual components and the holistic balance sheet itself without understanding its ultimate purpose. Detail has been provided for certain components that then do not appear to be used as part of the balance sheet, such as Level B technical provisions and the MCR. This adds further unnecessary complexity to the QIS process. IORP sponsors we have spoken to have commented that the use of complex formulae and new statistical and mathematical concepts means that detailed advice is required on how to interpret the consultation document and the possible impact. IORPs and their sponsors will therefore require a significant amount of time to ensure the detail is understood. Equally, we expect that any simplifications would also require time to consider and a number of iterations may be required to ensure any simplifications are appropriate. There are a number of key areas where aspects of Solvency II appear to have been 'cut and pasted' into the consultation document with little consideration of how these might practically apply to IORPs. For example, the risk margin has	There is not enough information at this stage to specify supervisory responses EIOPA agrees more QISs are needed EIOPA wishes to test all three risk margin option in its advice (cost-of-capital, adverse deviation, none) MA may be tested by IORPs in the event they don't comply with all conditions Errors have been removed Sponsor support section will be further developed

			been imported from Solvency II to reflect the concept of cost of capital; however, cost of capital for an IORP has not been considered and therefore the relevance and interpretation is ambiguous. Another example relates to the conditions for the matching premium which are too restrictive to apply to IORPs. A further area of ambiguity is in respect of the definition of sponsor – this has not been defined in the consultation document and could lead to fundamental differences in approach and valuation. Industry-wide IORPs may have a very large number of sponsors – should the sponsor support be aggregated across all sponsors for such IORPs? Some IORPs may have only one entity which is legally responsible for funding of the IORP, but in practice may have access to the financial resources of a much larger, global group – how should this be reflected? Where a sponsor has multiple IORPs, how should the sponsor support be split between the IORPs? There appear to be some errors in the specifications. For example, the formula in paragraph HBS 6.77 appears incorrect – an allowance for the sum of cashflows received from the sponsor up to the time of insolvency should be made in the calculation of PPFFV. Further, as part of the calculation of maximum sponsort support ECtis defined as the discounted value of various cashflows. In the formula applied in para HBS 6.39 these cashflows are subsequently discounted for a second time. These issues demonstrate that a number of important and essential questions in this area need comprehensive further consideration. In our view, EIOPA should extend the timescale of the review process significantly and re-consider whether the holistic balance sheet approach is, in practice, feasible.	

150.	Deutsche Post DHL	Q3.	As the majority of the draft technical specifications is based on Solvency II this is quite likely sufficiently clear and well documented – in principle. However, as stated above, for IORPs they are far beyond a reasonable range of complexity. The important issues for IORPs (employer covenant, PPS, steering and adjustment mechanisms), are - as stated under Q2. – unnecessarily overcomplex and quite likely not properly understood.	Noted.
151.	Dexia Asset Management	Q3.	Q3. Do stakeholders believe that the draft technical specifications provide enough information and are sufficiently clear and understandable? Which parts could be improved upon? We do not believe technical specifications are sufficiently clear and understandable. We regret that the excessive complication stems from Solvency II parts which are not well fitted to IORPs environment and the over-simplification from what is IORPs specific. 1. Security mechanisms are not well developed and do not reflect actual IORPs landscape. Sponsor support valuation is not adapted to multiemployer schemes and companies who sponsor several IORPs or are subsidiaries of stronger parent companies. 2. There is only little guidance on how to treat ex post benefit reduction and conditional and discretionary benefits. 3. SCR calculations are too complicated, especially for minor issues (concentration, disability, catastrophe,	Noted Sponsor support will be further developed IORPs do not have to calculate risk modules that are not material

			operational….)	
152.	EEF	Q3.	As our response to Q2 demonstrates, we believe there is not sufficient information on the draft technical specifications to enable stakeholders to grasp how the key themes relevant to sponsoring employers would work together.	
153.	EuroCommerce – The retail wholesale and internatio	Q3.	Do stakeholders believe that the draft technical specifications provide enough information and are sufficiently clear and understandable? Which parts could be improved upon? EuroCommerce is concerned that some of the assumptions used to value assets and liabilities (for example, the 2% inflation rate; 8% risk free margin and 50% shareholder funds to value the sponsor covenant) are arbitrary, with no clear rationale behind the figures. More generally, we question whether it is both possible and wise to prescribe such definite figures given we are operating in an uncertain economic climate, where Greece's future in the Eurozone is unclear. EIOPA should take a less prescriptive approach so that pension funds have the flexibility to adjust their asset mix and manage liabilities to account for market fluctuations.	Noted. Risk margin figure clarified, fixed inflation rate replace with market implied and sponsor support will be further developed

154.	European Association of Public Sector Pension Inst	Q3.	Do stakeholders believe that the draft technical specifications provide enough information and are sufficiently clear and understandable? Which parts could be improved upon? Due to their complexity, the draft technical specifications are only understandable for experts. This may lead many IORPs to decide not to participate in the QIS, especially smaller IORPs and those who tend to outsource their operations. The result may be an unrepresentative picture of the quantative impact of the proposed regulations. The main driver of the quantitative impact of the proposed regulations will be the discount rate used to calculate the best estimate of liabilities. This relatively straightforward calculation could be carried out by all IORPs and explains the largest part of the impact. The remaining items are less influential but highly time-consuming. EAPSPI therefore suggests to focus on the discount rate.	Noted
155.	European Federation for Retirement Provision (EFRP	Q3.	Q3. Do stakeholders believe that the draft technical specifications provide enough information and are sufficiently clear and understandable? Which parts could be improved upon?	Noted. QIS will allow IORPs to indicate which outcomes are uncertain

			There is a lot of information for a first QIS exercise and the timeline is too short to enable IORPs to digest all this information. There are many different and subjective assumptions to be made to calculate the HBS. This makes the HBS very sensitive to model risk: the accumulation of assumptions leads to an accumulation of insecurities. Some elements are not sufficiently clear: ☐ It is very difficult to valuate the liabilities and contingent assets: There is no market for long dated liabilities, for wage indexation and long dated volatility. ☐ It is unclear how incomplete pension contracts/discretionary benefits should be valued ☐ Its unclear how many years of use of steering instruments may be included. The more years of extra contributions, the lower the capital requirement As already pointed out, the HBS requires complex (option) techniques and there is too little attention paid to them in the EIOPA' draft technical specifications. As a result, many interpretations and outcomes will be possible. The EFRP regrets the absences of both qualitative questionnaire and spreadsheet that could have given more insight to the stakeholders about the QIS exercise.	

			We believe that a search for an appropriate model should be undertaken with input from industry and free from time pressure.	
156.	Federation of the Dutch Pension Funds	Q3.	The consultation contains a lot of information. We are very concerned that there will be a high degree of model risk and the risk of pseudo security. This has to be taken into account when evaluating the outcomes of this consultation. We would like to underline again that Solvency II is a highly inappropriate starting point for the QIS on the pension sector due to the substantial and principal differences between pensions and insurers. The "new" items, e.g. the valuation of the steering and adjustment mechanisms, are not at all clear to us. In order to calculate the HBS many assumptions will have to be made. The risk of pseudo security is severe, i.e. balance sheet items will get a value, but this value is extremely sensitive for many assumptions, which, changing them, could lead to completely different results. There is an accumulation of assumptions which implies insecurities. Many very complex assumptions are to be made in order to evaluate liabilities and contingent assets: there are no reliable markets for long duration liabilities, for wage inflation and long duration volatility (important for contingent assets and liabilities like sponsor	Noted. Solvency II based approach follows from Commission's CfA QIS will allow IORPs to indicate which outcomes are uncertain

			support and conditional indexation). The valuation of the steering and adjustment mechanisms requires complex (option) techniques. In our view a relevant factor is how many years of using the steering instruments may be included in the revised supervisory framework. The more years of additional contributions, the lower the capital requirements will be. Due to all this model risk, uncertainty and subjectivity of assumptions, it is very questionable how useful the outcome of a QIS will be, while it will be a very expensive exercise for IORPs.	
157.	Financial Reporting Council – staff response	Q3.	No – the specifications are difficult to follow in some areas. Worked examples would considerably help QIS participants.	Noted.
158.	German Institute of Pension Actuaries	Q3.	We are convinced that the draft technical specifications do not provide enough information and are sufficiently clear and understandable. The given approach is extremely hard to handle in particular for smaller IORPs. We fear that within the 140.000 IORPs in Europe only a small fraction will be able to perform the necessary calculations. Apart from objections against a mark-to-market or mark-to-model valuation we mentioned before, we believe that in most cases a pure duration based valuation will be sufficient and more robust to calculate the SCR before sponsor support and PPS. In our opinion a very significant simplification and easing must	Noted. Duration-based simplification added to SCR interest rate risk module Proportionality rules should be specified at later stage after information on practicability is available

			be permitted in accordance with the principle of proportionality. For instance, smaller and more simple structured IORPs should be permitted to prepare their balance sheets in simplified form (or exempted altogether) and only in intervals of several years in line with local accounting requirements. Furthermore, deviations from local accounting requirements (as is the case in most continental European countries) will lead to internal contradictions and significantly increased cost.	
159.	GESAMTMETALL - Federation of German employer	Q3.	The "old-items" – which are obviously directly copied from Solvency II – are sufficiently clear and well documented. The "new-items" – such as the valuation of the steering and adjustment mechanisms – are understudied and insufficiently clear and needs more guidance. Some examples: - The Holistic Balance Sheet requires complex (option) techniques. There is little attention to these techniques in the Technical Specifications; - The relation between the valuation of the different steering and adjustment mechanisms and prudential framework is important, but unknown (e.g. length of recovery plans, tiering); - Many very difficult assumptions to valuate the liabilities and contingent assets: no market for long dated liabilities, for wage indexation and long dated volatility (important for contingent assets and liabilities like sponsor support and conditional indexation); - It is unclear how incomplete pension contracts/discretionary benefits should be valued;	Noted. Not enough information at this stage to specify supervisory responses Security mechanisms section will be further developed

			- How many years of use of steering instruments may be included? The more years of extra contributions, the lower the capital requirement. - The methodology to take sponsor (employer) support and pension protection schemes into account is of an incredible complexity and gives significant rise to doubts whether this issue and its nature (even from a social- and labor law perspective (SLL) is really understood due to the missing experience of EIOPA and MS supervisory authorities to deal with these SLL driven issues appropriately from a supervisory perspective. Stakeholders should have the opportunity to respond not only to the technical standards, but also on a draft QIS spread sheet before the QIS will be performed. Furthermore, it would have been easier for stakeholders to respond to this consultation, if a draft spread sheet for the QIS was already attached to the consultation document.	
160.	Groupe Consultatif Actuariel Européen	Q3.	Do stakeholders believe that the draft technical specifications provide enough information and are sufficiently clear and understandable? Which parts could be improved upon? We consider that the technical specification is too complex to be widely understood, e.g. the arithmetic involved in calculating the net and gross SCR and the use of loss distributions (SCR.6.14. In addition, the derivation of many of the	Partially agreed. Deviation of risk margin and SCR is clarified by including reference to calibration paper EIOPA agrees more QISs are needed

			parameters and formulae is not explained adequately, e.g. the parameter in the risk margin, the correlation matrices in the SCR, the parameter used in the calculation of the intangible assets SCR and the parameters in the simplifications for the risk adjusted value of collateral. Without background information on these parameter choices, it is difficult to assess their reasonability for IORPS. In our view, rather less detailed information would be more appropriate, since we believe that for the review to result in a regime flexible enough to apply across the EU, it would be better to set out higher level principles to be interpreted according to local circumstances. There are also several very detailed subsections, requiring complex calculations, where the risks that these computations seek to consider might be insignificant. Staging of the QIS could help to address these issues also.	
161.	Hundred Group of Finance Directors	Q3.	Do stakeholders believe that the draft technical specifications provide enough information and are sufficiently clear and understandable? Which parts could be improved upon? The parts copied and pasted from Solvency II are presumably now well understood by the insurance community and to that extent may be assumed to be clear and understandable by that audience. However, they will not be understandable to the vast	Noted. Sponsor support section will be further developed

			majority of those involved in UK pension schemes who have not been involved in the development of Solvency II to date. There are also sections relating to elements unique to pensions, such as those on sponsor covenant and pension protection schemes. Whilst they may be understandable to specialists in these areas, the details of the proposals are unlikely to be understandable by many companies. For most, the outputs of the proposed spreadsheets are likely to represent a 'black box' number in which they have no confidence.	
162.	IBM Deutschland Pensionsfonds AG	Q3.	No. The draft technical specifications are too complex and not sufficiently clear and understandable. As a result many IORPs will not take part in the QIS which will disproportionately affect multi-employer IORPs, small IORPs and those who largely outsource their operations with the result that EIOPA will receive a distorted picture of the quantitative impact of the proposed regulations. The main driver of the quantitative impact of the proposed regulations will be the discount rate used to calculate the best estimate of liabilities. This is a calculation that is relatively straightforward, if applied in the context of the existing actuarial methodology, and could be undertaken by all IORPs. EIOPA should, therefore, focus on those variables that will explain the bulk of the impact.	Noted. Solvency II based approach follows from Commission's CfA EIOPA's advice stressed importance of proportionality, but there is not enough information on practicability of calculations at this stage to specify rules on proportionality

			Unfortunately, the spreadsheets which EIOPA will be supplying are not part of the QIS. As such, the QIS will be an exercise in which IORPs enter data into a "black box". It is unlikely that IORPs will have the necessary input data nor be able to perform adequate plausibility checks (on inputs and outputs) if they do not understand what the model is calculating, thereby leading to the "garbage-in garbage-out" phenomenon.	
163.	Institute and Faculty of Actuaries	Q3.	Do stakeholders believe that the draft technical specifications provide enough information and are sufficiently clear and understandable? Which parts could be improved upon? As noted in our response to the consultation on EIOPA's draft advice, we believe that for the review to result in a regime flexible enough to apply across the EU, EIOPA should confine itself to setting out principles to be interpreted according to local circumstances. If however, for the purpose of the QIS, EIOPA intends to ensure consistent treatment by providing detailed specifications, our view would be that whilst the specifications are clear and understandable, a substantial amount of subjective interpretation is required to convert the formulae into results. This means that if consistency is important for the purpose of the QIS, EIOPA will need to provide substantially more detailed guidance on how the calculations should be done. We would welcome the opportunity to help EIOPA develop such guidance.	Noted. QIS will also analyse which outcomes are uncertain National supervisors will clarify member state specific issues
164.	Insurance Europe	Q3.	In general, more clarification would be helpful. Probably some problems will also only be observable during the implementation of the calculation tools.	Noted.

			Please refer to the paragraph specific comments for information that should be improved to avoid misinterpretations.	
165.	KPMG LLP (UK)	Q3.	We cannot comment on this in any detail without sight of the spreadsheets still to be provided. Also, without knowing the ultimate uses of the output it is not possible to assess whether the specifications are adequate.	Noted.
166.	Mercer Ltd	Q3.	Do stakeholders believe that the draft technical specifications provide enough information and are sufficiently clear and understandable? Which parts could be improved upon? Clearly a lot of information has been provided in the QIS, to the extent that it should be possible to construct a tool to carry out the calculations. However, whilst the information provided is sufficient to establish a process to follow, we are concerned that the document setting out how the methodology has been established and how the assumptions have been derived was not made more easily available to those likely to be interested in the results of the QIS. In addition, although some parts of the Solvency II QIS 5 calibration document are generic to other financial sectors, for other parts it is less clear why the method and assumptions proposed are appropriate for calculations to be applied to occupational pension schemes. The approach set out in the consultation is quite narrowly defined, which makes it unlikely that it will be sufficiently flexible to meet its own objectives, in being market consistent in each member state. Most obviously, several assumptions are derived from yields that apply in the eurozone, which as well as	Noted. Fixed inflation rates replaced by market implied rates. Inflation risk module added.

			not applying in specific eurozone member states, will not necessarily be appropriate for non-eurozone countries. In several cases, key determinants of liabilities and economic risks are not included in the QIS. We recognise the intent to provide an inflation risk module and would suggest that this is prioritised, as is the need to use market-based inflation assumptions (to the extent that liabilities are inflation linked and there is a deep and liquid market). In many geographies, it is common practice to set assumptions such as salary inflation and expected pension increases by reference to market based parameters such as inflation expectations and we would suggest that the QIS allow this flexibility. We would have preferred a principles based methodology, enabling local regulators to reflect how the pension 'promise' differs in different countries. Whilst this wouldn't have resulted in consistent assumptions it might result in more consistent outcomes, which we consider would be more useful information.	
167.	National Association of Pension Funds (NAPF)	Q3.	Do stakeholders believe that the draft technical specifications provide enough information and are sufficiently clear and understandable? Which parts could be improved upon? As noted in the previous answer, there is a worrying lack of clarity in relation to elements that would not have been covered in the analysis of Solvency II, such as valuation of adjustment	Partially agreed. Potential use of Level B measure has been clarified Reference to calibration paper added EIOPA agrees that

			mechanisms, sponsor support and pension protection schemes. It is not clear how the 'Level A' and 'Level B' measures of liabilities would be used. The derivation of many of the parameters and formulae is not explained adequately and without background information on these choices, it is difficult to assess their reasonability for IORPS. If there is to be a regime flexible enough to apply across the EU, it would be better to set out higher level principles to be interpreted according to local circumstances. Furthermore, EIOPA should bear in mind that, while many of the specifications of Solvency II would have been familiar to insurers, the Holistic Balance Sheet will be completely new territory for IORPs and extra explanation may be required. The numbers generated by the Holistic Balance Sheet will be based on an accumulation of many assumptions. There is reason to doubt that the Holistic Balance Sheet will actually provide an assessment of the strength of the scheme's funding situation that bears any relationship to the reality. For example, it is not clear how the two measure of liabilities ('Level A' and 'Level B') will be used in practice and how they	purpose of QIS is also for IORPs and supervisors to explore new type of regime QIS will ask IORPs' assessment of outcomes that are uncertain

			will relate to each other. It is disappointing that EIPA has not published the spreadsheets that will be used in the QIS as part of the present consultation; this makes it impossible for stakeholders to test the methodology.	
168.	Pension Protection Fund, UK.	Q3.	We recognise that the consultation covers topics and calculations that are, by their very nature, complex. The consultation document itself is therefore necessarily complex and lengthy. We welcome EIOPA's suggestions for simplifications and would encourage including further simplifications where possible. Given the length and complexity of the document, we do have concerns that it may be difficult to understand for those unfamiliar with the concepts. We expect that many concepts and calculation techniques will be unfamiliar to UK pensions actuaries, in particular the SCR calculations. This is partly an inevitable product of the "mapping across" from Solvency II requirements which use techniques most commonly found in insurance rather than pensions. Further clarification of the underlying concepts would therefore be helpful. In order to make it easier to use the document, it might be helpful to signpost which member states certain concepts in the	Noted. Some further simplifications have been added Purpose of QIS is also for IORPs and supervisors to explore new type of regime

			QIS apply to (where they are not universal). For example, the concept of conditional and discretionary benefits may not always apply. A similar approach might be helpful for the different segments of types of pension schemes. It would also be helpful if the impact of these differences on QIS outcomes could be identified.	
169.	Punter Southall	Q3.	Do stakeholders believe that the draft technical specifications provide enough information and are sufficiently clear and understandable? Which parts could be improved upon? The elements of the draft technical specifications that have been "cut & pasted" from Solvency II will be generally well understood by insurance providers but not necessarily IORPs. The elements relating specifically to IORPs such as the sponsor covenant and pension protection schemes are complex and should not be addressed in a single QIS.	Noted. Sponsor support section will be further developed EIOPA agrees more QISs are needed
170.	Railways Pension Trustee Company Limited (RPTCL)	Q3.	RPTCL considers that the technical specification is too complex to be understood by the majority of IORPs. Given the potential impact of a revised IORP Directive on many IORPs within various Member States, it is important that the technical specification - and what it is aiming to achieve – is widely understood.	Noted. Reference to calibration paper added

			RPTCL also notes that the derivation of many of the parameters and formulae have not been explained and an explanation of the relevance or appropriateness of specific probabilities (such as 99.5%) to IORPs has not been provided. IORPs, by their nature, are long-term vehicles: whilst we agree that short-term "balance sheet" solvency measures are important for many other financial institutions, it is less relevant to IORPs than ensuring a very high probability that pensions will be paid in full over the lifetime of the IORP. Providing less detailed information and high level principles would seem to be more appropriate.	
171.	RWE Pensionsfonds AG	Q3.	In our opinion, the concept of sponsor support needs more elaboration since group situations (i.e. several interdependent sponsors) and dependencies between a subsidiary as a sponsor and the parent company are not reflected.	Noted. Sponsor support section will be further developed
174.	Tesco Plc	Q3.	Many of the assumptions to value assets and liabilities in the Holistic Balance Sheet are arbitrary We have concerns that some of the assumptions used to value assets and liabilities (for example, the 2% inflation rate; 8% risk free margin and 50% shareholder funds to value the sponsor covenant) are arbitrary, with no clear rationale behind the figures.	Noted. Fixed inflation rate replaced by market-implied rates Derivation of risk margin clarified Sponsor support section will be further developed

			More generally, we question whether it is possible and even wise to prescribe such figures given we are operating in an uncertain economic climate. EIOPA should take a less prescriptive approach so that pension funds have the flexibility to adjust their asset mix and manage liabilities to account for market fluctuations. By setting these assumptions, EIOPA will be injecting further volatility and short termism into the pension funding framework. We would urge EIOPA to adopt a flexible approach given the long term nature of pensions. The draft technical specifications are not sufficiently clear for pension funds While elements of the draft technical specifications lifted directly from the Solvency II Directive will be very familiar to the insurance community, they will not be understandable to the vast majority of UK pension schemes who have not been part of the development of the Solvency II.	
175.	Towers Watson B.V.	Q3.	Do stakeholders believe that the draft technical specifications provide enough information and are sufficiently clear and understandable? Which parts could be improved upon? The amount of information is, as mentioned before, too large for some elements, and too limited for other elements. The technical specification is in our view far too complex considering that for many parties involved this is the first time they will	Noted. Some areas of technical specifications have been simplified, other areas will be further developed Purpose of QIS is also for IORPs and

			have considered pension provision from a perspective that is entirely different from their current regime. Providing examples will enhance the clarity, as well as the purpose of the specifications.	supervisors to explore new type of regime
176.	Towers Watson GmbH, Germany	Q3.	We consider that the technicality of the specifications will only be understood by a relatively small group of experts. This, in itself, might be unavoidable but should not be surprising. For this group of experts, however, a number of improvements can be made. For example, 1. the derivation of many of the parameters and formulae should be explained, particularly regarding the RM (why 8%? Why a multiple of what is required for insurers) and the SCR (why a 20% longevity shock?), since their choice seems totally arbitrary now, 2. providing examples would significantly enhance the clarity and underlying purpose of the specifications, 3. the calculation of the value of sponsor support and pension protection systems explicitly take into account the risk margin as part of the technical provisions (cf. HBS.6.42, HBS 6.48 and HBS.6.74 stating that TP is to be calculated according to section 2.2-2.5, i.e. including the risk margin). On the other hand, according to SCR.1.3, calculations for the individual SCR modules are to be understood to exclude the risk margin – as this may have significant impact on the value of sponsor support, more clarity would be desirable here, particularly in view of the loss absorbing capacity of the security mechanisms,	Partially agreed. Derivation risk margin has been clarified and reference for calibration SCR added Hybrid category was removed Not enough information at this stage to specify supervisory responses

			4. there are a number of technical errors in the document that need correcting (for example, speaking of "defined benefit or hybrid schemes" should be corrected, because hybrid schemes are defined benefit – HBS 4.10 is incomplete, since contributions contractually due might not actually have been paid yet – an example of misleading accuracy is the increase in significant digits with increasing lower ratings in HBS 6.15 – "International Accounting Standards" do not exist for a large number of years now; they are called "International Financial Reporting Standards" – SCR 7.33, first bullet: to what does "best estimate" refer to?) and 5. stating what the "ladder of regulatory intervention" is, when the HBS does not balance.	
177.	Towers Watson UK	Q3.	Do stakeholders believe that the draft technical specifications provide enough information and are sufficiently clear and understandable? Which parts could be improved upon? We consider that the technical specification is far too complex to be widely understood, and that this is a greater obstacle than it might appear. In addition, the derivation of many of the parameters and formulae is not explained, particularly in the SCR (see Counter-party Risk Module). Much of this detail seems to be focused on ensuring a calibration to a specific probability (such as 99.5%) but it is not at all clear that this calibration has been derived in the context of, or is appropriate for, IORPs. In our view, rather less detailed information would be more appropriate, since we believe that for the review to result in a	Noted. Reference for calibration SCR added. EIOPA agrees more QISs are needed

			regime flexible enough to apply across the EU, it would be better to set out higher level principles to be interpreted according to local circumstances. It might well be that it would then be appropriate to carry out further QIS's – ie a staged, iterative process akin to that adopted for Solvency II.	
178.	Trades Union Congress (TUC)	Q3.	We have significant concerns about the valuation of the security mechanisms within the holistic balance sheet approach. Following EIOPA's approach would appear to lead to results not actually germane to the level of security enjoyed by IORPs in practice, and could lead to the discrepancy between liabilities and assets being exaggerated. Yet the flexibilities suggested by the consultation document could also lead pseudo security. To calculate the holistic balance sheet, IORPs will have to make too many assumptions, undermining the reliability of any results.	Noted. Sponsor support section will be further developed
179.	Universities Superannuation Scheme Limited	Q3.	Do stakeholders believe that the draft technical specifications provide enough information and are sufficiently clear and understandable? Which parts could be improved upon? As noted in the previous answer, there is a worrying lack of clarity in relation to elements that would not have been covered in the analysis of Solvency II for insurers, such as valuation of adjustment mechanisms, sponsor support and pension protection schemes. EIOPA should consider how the results of the Holistic Balance	Noted. Sponsor support section should be further developed IORPs will be asked to assess uncertainty surrounding outcomes

			Sheet will be used in practice – and whether the results will be sufficiently robust for that purpose. The numbers generated by the Holistic Balance Sheet will be based on an accumulation of many assumptions. We doubt the ability of the Holistic Balance Sheet to provide an assessment of the strength of the scheme's funding situation that bears any relationship to the reality.	
180.	UVB Vereinigung der Unternehmensverbände in Berlin	Q3.	The "old-items" – which are obviously directly copied from Solvency II – are sufficiently clear and well documented. The "new-items" – such as the valuation of the steering and adjustment mechanisms – are understudied and insufficiently clear and needs more guidance. Some examples: - The Holistic Balance Sheet requires complex (option) techniques. There is little attention to these techniques in the Technical Specifications; - The relation between the valuation of the different steering and adjustment mechanisms and prudential framework is important, but unknown (e.g. length of recovery plans, tiering); - Many very difficult assumptions to valuate the liabilities and contingent assets: no market for long dated liabilities, for wage indexation and long dated volatility (important for contingent assets and liabilities like sponsor support and conditional indexation); - It is unclear how incomplete pension contracts/discretionary benefits should be valued; - How many years of use of steering instruments may be included? The more years of extra contributions, the lower the	Noted. Not enough information at this stage to specify supervisory responses Security mechanisms section will be further developed

			capital requirement. - The methodology to take sponsor (employer) support and pension protection schemes into account is of an incredible complexity and gives significant rise to doubts whether this issue and its nature (even from a social- and labor law perspective (SLL) is really understood due to the missing experience of EIOPA and MS supervisory authorities to deal with these SLL driven issues appropriately from a supervisory perspective. Stakeholders should have the opportunity to respond not only to the technical standards, but also on a draft QIS spread sheet before the QIS will be performed. Furthermore, it would have been easier for stakeholders to respond to this consultation, if a draft spread sheet for the QIS was already attached to the consultation document.	
181.	vbw – Vereinigung der Bayerischen Wirtschaft e. V.	Q3.	The "old-items" – which are obviously directly copied from Solvency II – are sufficiently clear and well documented. The "new-items" – such as the valuation of the steering and adjustment mechanisms – are understudied and insufficiently clear and needs more guidance. Some examples: - The Holistic Balance Sheet requires complex (option) techniques. There is little attention to these techniques in the Technical Specifications; - The relation between the valuation of the different steering and adjustment mechanisms and prudential framework is important, but unknown (e.g. length of recovery plans,	Noted. Not enough information at this stage to specify supervisory responses Security mechanisms section will be further developed

			tiering); - Many very difficult assumptions to valuate the liabilities and contingent assets: no market for long dated liabilities, for wage indexation and long dated volatility (important for contingent assets and liabilities like sponsor support and conditional indexation); - It is unclear how incomplete pension contracts/discretionary benefits should be valued; - How many years of use of steering instruments may be included? The more years of extra contributions, the lower the capital requirement. - The methodology to take sponsor (employer) support and pension protection schemes into account is of an incredible complexity and gives significant rise to doubts whether this issue and its nature (even from a social- and labor law perspective (SLL) is really understood due to the missing experience of EIOPA and MS supervisory authorities to deal with these SLL driven issues appropriately from a supervisory perspective. Stakeholders should have the opportunity to respond not only to the technical standards, but also on a draft QIS spread sheet before the QIS will be performed. Furthermore, it would have been easier for stakeholders to respond to this consultation, if a draft spread sheet for the QIS was already attached to the consultation document.	

182.	Vereinigung der hessischen Unternehmerverbände (Vh	Q3.	The "old-items" – which are obviously directly copied from Solvency II – are sufficiently clear and well documented. The "new-items" – such as the valuation of the steering and adjustment mechanisms – are understudied and insufficiently clear and needs more guidance. Some examples: - The Holistic Balance Sheet requires complex (option) techniques. There is little attention to these techniques in the Technical Specifications; - The relation between the valuation of the different steering and adjustment mechanisms and prudential framework is important, but unknown (e.g. length of recovery plans, tiering); - Many very difficult assumptions to valuate the liabilities and contingent assets: no market for long dated liabilities, for wage indexation and long dated volatility (important for contingent assets and liabilities like sponsor support and conditional indexation); - It is unclear how incomplete pension contracts/discretionary benefits should be valued; - How many years of use of steering instruments may be included? The more years of extra contributions, the lower the capital requirement. - The methodology to take sponsor (employer) support and pension protection schemes into account is of an incredible complexity and gives significant rise to doubts whether this issue and its nature (even from a social- and labor law perspective (SLL) is really understood due to the missing experience of EIOPA and MS supervisory authorities to deal with	Noted. Not enough information at this stage to specify supervisory responses Security mechanisms section will be further developed

			these SLL driven issues appropriately from a supervisory perspective. Stakeholders should have the opportunity to respond not only to the technical standards, but also on a draft QIS spread sheet before the QIS will be performed. Furthermore, it would have been easier for stakeholders to respond to this consultation, if a draft spread sheet for the QIS was already attached to the consultation document.	
183.	Zusatzversorgungskasse des Baugewerbes AG	Q3.	No, ZVK-Bau does not believe that the draft technical specifications provide enough information and are sufficiently clear and understandable. For details please see General Comments and our answers to Q. 5-7 Although in general AEIP regards the market-consistent approach as inappropriate for IORPs we critizise the design of the ultimate forward rate in particular. We believe that the speed of convergence to the ultimate forward rate of 4.2% is too slow. Referring to point HBS.8.7 starting from the last liquid point in the yield curve it will last up to 40 years to be sufficiently close to the UFR. Since the last liquid point in the EUR yield curve is the 20yr bucket this implies that the forward rates of the yield curve will be sufficiently close to the UFR not until 60 years. We would like to point up that this is not in line with the way IORPs invest money. The maximum maturity of assets usually available to IORPs in the EUR zone is between 20 and 30 years.	Noted. Shorter convergence not included to keep QIS manageable for 100 bps CCP included, but serves only as an approximation of formula based approach UFR is derived from long-term inflation and economic growth and hence should not be different

			Therefore investing our money today we will have to return to the capital markets and reinvest this money in at most 30 years. And of course these reinvestments will be done at the yield which will be valid in 30 years. Furthermore we believe that the level and the volatilities of the risk neutral forward rates bootstrapped from the yield curve are bad approximations for the real expected values of the rates and their volatilities which we will find in the capital markets in 30 years. For this reason we think that the extrapolation of the yield curve should start at the 20 years bucket and result in forward rates which are close to the UFR at the 30yr bucket. Concerning the ultimate forward rate and the adjustment spread for market illiquidity and credit risk exaggeration we suggest the following argument: The liabilities of IORPSs should usually be more "illiquid" than the liabilities of life insurance companies. Therefore the level of these rates should also be higher than the corresponding rates for insurance companies. E.g. we suggest a matching/counter-cyclical premium of 0.8% instead of 0.5% and a UFR of 4.5% instead of 4.2% given the current situation at the capital markets.	
184.	OPSG	Q4.	The calculations proposed in the technical specifications are feasible, but the accuracy and the sensitivity of the outcomes are questionable. To calculate the HBS, IORPs have to make many assumptions, so there is a severe risk of pseudo security. Balance sheet items will receive a value, but this value is very sensitive to many underlying assumptions, which in changing them, could lead to completely different, but legitimate, results. The "model-risk" of this approach is very large. There will be an	Noted. IORPs are requested to assess uncertainty surrounding outcomes in QIS

			accumulation of assumptions and therefore insecurities. The impact of a small change in the assumptions can have a large impact on the outcome, because the sensitivity to some assumptions is high. Therefore, the OPSG has little confidence that the outcome will be useful for supervisors and the pension sector. The costs are probably not justified given the expected reliability of the outcomes. The process is very expensive (it implies doing an ALM type of study). Costs will run into tens of thousands of euros and even more if an IORP still has to set up a new model in order to value the adjustment and steering mechanisms. In order to mitigate the costs of performing a QIS, the OPSG would suggest that the analysis is conducted using December 2012 data, as it gives IOPRs an opportunity to bring forward reviews and make more cost efficient use of the actuarial resources.	
185.	aba Arbeitsgemeinschaft für betriebliche Altersver	Q4.	No. We believe that IORPs will not be able to perform the calculations proposed in the technical specifications within the proposed timeframe at a reasonable cost. The timing of the QIS which will coincide with year-end activities will further reduce the ability of IORPs to participate. In addition, the accuracy of the calculations will be questionable. The level of complexity of the technical specifications as well as the heavy reliance on assumptions will	Noted. IORPs are requested to assess uncertainties surrounding outcomes and costs of QIS

			lead to model risk. The "errors" will be compounded further when the regulator grosses up the results of a biased sample to reflect the universe of entities subject to regulation. Finally, further error will enter the equation when EIOPA transposes these results to reflect the different confidence levels. Given the similar complexity to Solvency II, we would expect the cost of the QIS and finally the implementation of an analogous IORP II regime to be very similar to the total Solvency II QIS/implementation cost for insurers. We, therefore, call on EIOPA to carry out a cost/benefit analysis prior to carrying out the QIS.	
186.	AEIP – The European Association of Paritarian Inst	Q4.	No, AEIP does not believe that the calculations proposed in the technical specifications are feasible at appropriate costs and with appropriate accuracy within the given timeframe for the QIS. First of all, AEIP suggests that this QIS is much more complex than those implemented for Solvency II, because it adds many new elements which need to be tested and are still too unclear. Moreover, European IORPs are not used to perform most of the calculation proposed and are neither prepared nor skilled and equipped to run such a QIS. As already mentioned above, since the costs to run the QIS will be very high, the participation to the QIS will be low and eventually bias the representativeness of the results gathered	Noted. Some areas of technical specifications have simplified, other areas will be further developed. EIOPA agrees more QISs are needed. IORPs are requested to assess uncertainties regarding outcome in qualitative questionnaire

			by the EIOPA (especially from small IORPs) - only the biggest IORPs will be able to afford the resources to implement the calculation. Furthermore, the extra cost of doing this exercise is detrimental to current benefits managed by IORPs, as it will add to their expenses. It would be wiser to begin with a simpler QIS and progressively increase the complexity of the concepts and calculations in further QISs. Moreover, even where a given IORP might be skilled enough and ready to run the QIS, the accuracy of the results will not be guaranteed because of the excessive number of assumptions to make (pseudo security risk) and the fact that stochastic models with such low guidance will not be comparable. AEIP regrets that the EIOPA's anticipated spreadsheet for calculating the SCR and other items has not been provided at this stage.	
188.	Akzo Nobel	Q4.	No. The costs of assessment will be high and especially in the current difficult economic climate, these costs are not appropriate. The timeline is too short to properly consider the questions that follow, especially when it remains unclear how the results of holistic balance sheet calculations will be used e.g. will they be used for disclosure purposes or will they drive funding obligations by forcing companies to make good deficits within defined periods.	Noted. QIS will be used for funding purposes, in line with Commission's objective.

191.	Aon Hewitt	Q4.	It is difficult to form a view on whether the calculations can be carried out at "appropriate cost" without further information on how the ultimate results might be used. Our view is that this crucial element should be decided before any calculations are undertaken. If, for example, there will ultimately be no direct impact on scheme funding then we would suggest that the QIS exercise should not take place. As things stand, we think the answer to the question on appropriate cost is no. In terms of accuracy, please see our comments to PRO.3.20. It should be possible to do most of the required calculations, in the short time available, to within an accuracy of 5-10% (ignoring the biggest source of inaccuracy in relation to the expert judgement needed to assess whether the EIOPA's proposed simplifications for sponsor support are appropriate). For an estimated €3 trillion of liabilities in EEA IORPS, this corresponds to an accuracy level of c €200 to €300bn. EIOPA should consider whether this level of accuracy is appropriate for the QIS exercise. National regulators may be able arrange production of approximate figures in line with the QIS, making heroic approximations and simplifications where data is not available. This may be acceptable in order to produce aggregated results across all IORPs as a whole. However, these short cuts would not be appropriate if the calculations were applied to produce numbers for individual IORPs under any eventual regulatory requirements. Consequently, the QIS will not test the feasibility of imposing the proposed calculations on the large number of	Noted. There is not enough information at this stage to specify supervisory responses

			individual IORPs.	
192.	Association of British Insurers	Q4.	The ABI has doubts as to whether the calculations proposed in the technical specifications are feasible at appropriate costs and with appropriate accuracy within the given timeframe of the QIS. In general, the ABI believes that more simplifications have to be provided.	Noted. Some areas have been simplified, others will be further developed
193.	Association of Consulting Actuaries UK	Q4.	We are concerned that since regulators will need to work on aggregate or average data in general in completing the QIS (with significant assumptions), the overall results will hide a wide variety of individual outcomes. It is not sufficient for the results of a QIS to state that overall technical provisions in the UK would increase by X% overall and SCR's would be Y% of assets on the HBS, if that hides (as we expect it will do) very large variability in individual IORP results which would have very significant economic impacts for a significant proportion of IORPs.	Noted.
194.	Balfour Beatty plc	Q4.	Do stakeholders believe that the calculations proposed in the technical specifications are feasible at appropriate costs and with appropriate accuracy within the given timeframe of the QIS? No. not at all. We are very concerned that the approximate methods that	Noted. IORPs will be asked to assess uncertainty of outcomes and costs of doing calculations

			must inevitably be adopted for the QIS risk materially understating both the results and the resources required to provide results under the new regime as implied by the QIS specification. In relation to the SCR, significant resource will be needed to assess this yet, in the UK environment, the presence of the SCR appears to be of little practical benefit.	
195.	Barnett Waddingham LLP	Q4.	We are concerned that supervisory authorities hold insufficient detail to participate in the study fully. Aggregate data will not, for instance, contain information about conditional benefits to inform policy options. Undertaking a QIS on this basis will not accurately represent the impact and the results will be misleading. IORPs will need to seek professional advice in dealing with some more complex benefits and calculations. Also, IORPs will not currently hold all the necessary data. We believe this will create a barrier for all but the very largest IORPs who might otherwise wish to participate in the QIS. Applying these calculations will consume heavy resources and without visible benefit to individual IORPs. We consider that the timescale for the QIS should be extended to maximise participation, and to encourage use of the full specifications as compared to the simplifications. EIOPA will need to publish the final specifications and associated spreadsheets well in advance of the start of the exercise. We are also concerned that EIOPA has not allowed itself sufficient time for consultation, and to analyse the results of the QIS.	Noted. IORPs may use simplifications if data is lacking IORPs are also requested to assess costs of calculations.

196.	BASF SE	Q4.	Do stakeholders believe that the calculations proposed in the technical specifications are feasible at appropriate costs and with appropriate accuracy within the given timeframe of the QIS? The calculations proposed in the technical specifications are neither feasible at appropriate costs nor with appropriate accuracy within the given timeframe of the QIS. As stated in answer to Question 3 above, IORPs and consultants of the pension industry have no experience in the Solvency II framework. In order to calculate the Holistic Balance Sheet, many assumptions have to be made and many data have to be gathered by IORPs. Since the impact of a small change in the assumptions can have a large impact on the outcome, because the sensitivity to some assumptions is high, different interpretations of the technical specifications will lead to completely different and therefore unreliable results. Against this background, we think that the costs of the QIS cannot be justified given the expected reliability of the outcomes. To draw a first picture of the impact of the HBS on IORPs, EIOPA should focus on main drivers of the quantitative impact: the discount rate and the duration of liabilities. Analysing these variables will be straightforward and will explain 80% of the impact.	Noted. IORPs are requested to assess uncertainty of outcomes and costs involved in doing the calculations in qualitative questionnaire
197.	Bayer AG	Q4.	No, see answers above.	
198.	Bayerischer	Q4.	As described above, the QIS will overwhelm many IORPs both	Noted.

	Industrieverband Steine und Erden e.V.		in terms of human and financial resources necessary to carry out the exercise. For some, the QIS will not be feasible without employing external consultants, thereby creating a significant financial strain on the IORP. Given the similar complexity to Solvency II, we would expect the cost of the QIS and finally the implementation of an analogous IORP II regime would be very similar to the total Solvency II QIS/implementation cost for insurers. We, therefore, call on EIOPA to carry out a cost/benefit analysis prior to carrying out the QIS. The technical specifications are based on an insurance business model which will be unfamiliar to many. In addition, the calculations proposed in the technical specification are overly complex and rely on too many assumptions creating model risk.	IORPs are requested to assess uncertainty of outcomes and costs involved in doing the calculations in qualitative questionnaire
199.	BDA Bundesvereinigung der Deutschen Arbeitgeberver	Q4.	As described above, the QIS will overwhelm many IORPs both in terms of human and financial resources necessary to carry out the exercise. For some, the QIS will not be feasible without employing external consultants, thereby creating a significant financial strain on the IORP. Given the similar complexity to Solvency II, we would expect the cost of the QIS and finally the implementation of an analogous IORP II regime would be very similar to the total Solvency II QIS/implementation cost for insurers. We, therefore, call on EIOPA to carry out a cost/benefit analysis prior to carrying out the QIS. The technical specifications are	Noted. IORPs are requested to assess uncertainty of outcomes and costs involved in doing the calculations in qualitative questionnaire

			based on an insurance business model which will be unfamiliar to many. In addition, the calculations proposed in the technical specification are overly complex and rely on too many assumptions creating model risk.	
200.	BdS – Bundesverband der Systemgastronomie e.V.	Q4.	As described above, the QIS will overwhelm many IORPs both in terms of human and financial resources necessary to carry out the exercise. For some, the QIS will not be feasible without employing external consultants, thereby creating a significant financial strain on the IORP. Given the similar complexity to Solvency II, we would expect the cost of the QIS and finally the implementation of an analogous IORP II regime would be very similar to the total Solvency II QIS/implementation cost for insurers. We, therefore, call on EIOPA to carry out a cost/benefit analysis prior to carrying out the QIS. The technical specifications are based on an insurance business model which will be unfamiliar to many. In addition, the calculations proposed in the technical specification are overly complex and rely on too many assumptions creating model risk.	Noted. IORPs are requested to assess uncertainty of outcomes and costs involved in doing the calculations in qualitative questionnaire
201.	Belgian Association of Pension Institutions (BVPI-	Q4.	No. The set up and calculations as presented in this document are far too complex. The related costs are not in line with the size of the Belgian IORPs where assets vary between 10 million €	Noted. IORPs are requested to assess costs involved in doing the calculations in qualitative

			and 1.250 million €. Given the complexity, it is recommendable to apply a more simple standard model, in proportion to the small size of Belgian IORPs and to exclude the explicit valuation of a number of balance sheet items in order to save costs. It will be hard for IORPs to do the stochastical part. Knowledge, experience and models need to be bought on the scarce market, costs will be disproportional, results will be influenced by the lack of available and disseminated models and consultants. Given the complexity and given the timeframe to get used to these models and terminology, we believe expertise, time and resources are missing to set up a pragmatic approach and to develop the appropriate calculation models. As calculation spreadsheets are still missing it makes it more difficult to gain practical knowledge. The IORP as such does not get additional information from this QIS exercise. The calculation results stay very theoretic as a lot of elements are still unclear: funding requirement, tiering, recovery plan (when and how), supervisory actions, etc…So it is still impossible for IORPs to estimate what the impact of this new approach might be. Given this argument in combination with the costs for this exercise, it will be very hard to convince individual IORPs to participate in the QIS since it proves to become a lengthy	questionnaire Aim of QIS is also for IORPs to explore new type of regime There is not enough information at this stage to specify supervisory reponses

			(political) process which mainly will have to be financed by the IORP's.	
202.	BlackRock	Q4.	Please see our General Comment above.	
203.	Bosch Pensionsfonds AG	Q4.	As described above, the QIS will overwhelm many IORPs both in terms of human and financial resources necessary to carry out the exercise. In most cases, the QIS will therefore not be feasible without employing external consultants, thereby creating a significant financial strain on IORPs.	Noted. IORPs are requested to assess costs involved in doing the calculations in qualitative questionnaire
204.	Bosch-Group	Q4.	As described above, the QIS will overwhelm many IORPs both in terms of human and financial resources necessary to carry out the exercise. In most cases, the QIS will therefore not be feasible without employing external consultants, thereby creating a significant financial strain on IORPs.	Noted. IORPs are requested to assess costs involved in doing the calculations in qualitative questionnaire
205.	BT Group plc	Q4.	Do stakeholders believe that the calculations proposed in the technical specifications are feasible at appropriate costs and with appropriate accuracy within the given timeframe of the QIS? As noted earlier, we do not believe that the UK Pensions Regulator has sufficient data to carry out the calculations sufficiently accurately.	Noted. IORPs are requested to assess costs involved in doing the calculations in qualitative questionnaire

			However, asking all IORPS in the UK to carry out the calculations is unlikely to be feasible in terms of either the time needed or the expense. This illustrates the significant burden that introducing the HBS would place on IORPS and the Commission need to carefully consider whether the significant costs and upheaval of introducing any change can be justified.	
206.	BTPS Management Ltd	Q4.	Simply put, no. Even as the largest IORP in the UK our ability to respond to such technical consultations is limited and we will only be able to do so using costly resource from our advisers. This was necessary even to respond to this current consultation – for which we relied on the support of advisers to run models based on the key material assumptions. Finding resource that understands the insurance-based questions but also understands UK pension schemes was extremely difficult; just responding to the consultation has taken up a significant portion of the whole management team's resources for the past month. We expect that the burden of the QIS itself will be very similar and assume that this is the main reason why the UK's Pensions Regulator is seeking to run the QIS on behalf of UK IORPs. However, we question the accuracy of this exercise without schemes' involvement, especially in the highly complex and non-standard area of sponsor assessment. The simple fact that the Pension Regulator feels obliged to lead the QIS process on behalf of IORPs should be an indicator that the QIS process is	Noted. IORPs are requested to assess uncertainty of outcomes and costs involved in doing the calculations in qualitative questionnaire

			too complex and too costly. Following some detailed discussions with our actuary, we estimate the cost of performing the technical calculations will be some 50%-100% greater than the current existing UK regulatory approach, and more if they are required more frequently than the valuations currently needed triennially. We are unclear what value is added, if any, by this process to justify this significant additional cost burden. As noted above, there are a number of unsatisfactory assumptions and approximations built into the process meaning that this significant cost will be borne to create a result that may be no better than arbitrary.	
207.	Deloitte Total Reward and Benefits Limited (UK)	Q4.	No. We consider that it will not be possible within the proposed timescales to collate information to a sufficient level of detail to be able to complete accurate calculations, in particular the SCR calculations. We expect that the Pensions Regulator in the UK will not have sufficient information to undertake accurate analysis of the SCR or sponsor support elements. Therefore, support and more granular information will be required from individual IORPs in order to provide accurate QIS results. Given the short timescales involved, we anticipate that very few UK IORPs will be able to provide this support and hence the accuracy of the QIS results for the UK may be substantially reduced. We would expect this issue to apply similarly to the other Member States taking part in the QIS.	Noted. Aggregation does not preclude identifying certain categories.

			In addition, we are concerned that the aggregation of data by national regulators may lead to key impacts not being identified. For example, the value of sponsor support could vary significantly by industry.	
208.	Deutsche Post DHL	Q4.	No, as stated above the outcome would quite likely not be representative, the exercise would be very time consuming, difficult, costly and specific issues - that differentiate IORPs from insurance companies - are not properly and efficiently taken into account.	Noted.
209.	Dexia Asset Management	Q4.	Q4. Do stakeholders believe that the calculations proposed in the technical specifications are feasible at appropriate costs and with appropriate accuracy within the given timeframe of the QIS? The timeframe to read, understand and answer to the consultation is very short (only 6 weeks during summer holidays). Most of IORP s across Europe are not used to Solvency II like exercises and are thus unable to run such a study in due time. The IORPs who could be able to run these studies are only those with a sufficient financial surface which is likely to provide a wrong image of the actual IORPs landscape.	Noted. Aim of QIS is also for IORPs to explore new type of regime
210.	EEF	Q4.	No – for the reasons we gave in response to Q3.	Noted.
211.	EuroCommerce – The retail wholesale and internatio	Q4.	Do stakeholders believe that the calculations proposed in the technical specifications are feasible at appropriate costs and	Noted. IORPs are requested to

			with appropriate accuracy within the given timeframe of the QIS? EuroCommerce is of the opinion that he consultation and future QIS pose huge, unnecessary costs to pension funds.Given the lengthy and complex nature of this consultation, analysing the proposed calculations will involve huge additional cost and resource for pension funds. Employer sponsors will have to spend substantial sums on consultant and actuary fees – money which would have otherwise been put into the pension fund. Similarly, participating in the future QIS will also be a very costly exercise. EuroCommerce does not see the value of introducing an entirely new methodology when the current UK system works very well and provides a strong security and funding framework. A number of different security mechanisms are already in place, including the Pension Protection Fund, the Pensions Regulator and "debt on employer" regulations, which prevent an employer from abandoning a scheme if it is not fully funded.	assess costs of doing the QIS in qualitative questionnaire
212.	European Association of Public Sector Pension Inst	Q4.	Do stakeholders believe that the calculations proposed in the technical specifications are feasible at appropriate costs and with appropriate accuracy within the given timeframe of the QIS?	Noted. IORPs may use simplifications if data is not available

			Generally, the proposed calculations are not feasible, as qualified staff and the financial resources to undertake the calculations needs to be available. Here again, EAPSPI doubts whether the final QIS will reach a representative number of IORPs across Europe and in particular, small IORPs with limited capacities. Against the background of the limited time frame for the execution of the QIS however, collecting the necessary data may be a challenging task for staff and IT systems. In addition, asset management departments may not have the necessary data at their disposal in such a granular way as needed e.g. for all risk sub-categories of a market risk category. Altogether, a lot of effort is needed which may be an excessive demand, especially for smaller IORPs as can be found in the public sector. Therefore, EAPSPI is concerned that the QIS may be too complex and that in particular smaller IORPs will not be able to participate without external assistance.	
213.	European Federation for Retirement Provision (EFRP	Q4.	Q4. Do stakeholders believe that the calculations proposed in the technical specifications are feasible at appropriate costs and with appropriate accuracy within the given timeframe of the QIS? The costs are probably not justified given the expected reliability of the outputs. The QIS exercise will be expensive notably because it will imply an ALM-type study. The IORPs without such types of models are likely either to pay large fees to external consultants or avoid making the impact study	Partially agreed. IORPs are requested to assess uncertainty of outcomes and costs involved in questionnaire. Some areas of technical specifications have been simplified

			(especially small IORPS, for which these costs would be too high). Furthermore, it is very questionable how useful all these expensive calculations will be: the outcome of the calculations will be a single figure, but the meaning of this figure could be devoid of meaning due to the complexity, the reliance on many assumptions and the very short timeframe for this QIS (especially since this is a new kind of evaluation). It will be the employers, employees and retirees who will have to pay the price for this expensive exercise. The EFRP has concerns with respect to the accuracy, because in some Member States the QIS will only be performed by national supervisors instead of real IORPs. If EIOPA and the European Commission want to know the real impact on IORPs, the QIS should also be performed by real IORPs. The use of aggregated data makes the comparison between funds and countries meaningless. Given the complexity, it would be recommendable to start with a simpler standard model and having more QISs before the European Commission makes its proposal, in order to examine whether the HBS approach is a workable tool.	EIOPA agrees more QISs are needed
214.	Federation of the Dutch Pension Funds	Q4.	The accuracy and the sensitivity of the outcomes are questionable (it will therefore result in pseudo security). The	Noted. IORPs are requested to

			costs of the exercise are probably not justified given the expected reliability of the outputs. The process is very expensive; it implies doing an ALM type of study. It is estimated that a fund without such a model will run into costs of fifty to hundreds of thousands euros to develop a model or to pay consultants to do so. These costs would increase the administrative costs for the pension funds which, as stated above, are not for profit institutions that solely work for the benefit of their members.	assess uncertainty of results and costs involved in doing the calculations in qualitative questionnaire
215.	Financial Reporting Council – staff response	Q4.	The costs of the calculations are likely to be considerable and might not be proportionate for smaller IORPS in particular. Furthermore those participating in the QIS will need to spend considerable time understanding the methodology for the calculations and building the necessary models. Professional advice might be needed including to create some of the financial information relating to the sponsor; this would result in further costs. The amount of work required to complete the calculations accurately might deter many IORPs from participating in the QIS. Where a local supervisor carries out the analysis there is a risk that there will be a lack of accuracy if averages are used in the absence of detailed information.	Noted. IORPs are requested to assess costs involved in doing the calculations in qualitative questionnaire
216.	German Institute of Pension Actuaries	Q4.	We believe that the calculations proposed in the technical specifications are not feasible with appropriate accuracy within the given timeframe of the QIS. As mentioned above this draft document consists mainly of an	Noted. IORPs are requested to assess costs involved in doing the calculations in

			unchanged Solvency II approach with additional valuation of sponsor support and pension protection scheme. Thus the approach being proposed is even more complicated than Solvency II for insurers. We fear that most IORPs are not able to make the necessary calculations in the given timeframe without support from external consultants. We expect that the costs will be inappropriate; this will reduce the number of participants so that the information value is questionable.	qualitative questionnaire
217.	GESAMTMETALL - Federation of German employer	Q4.	As described above, the QIS will overwhelm many IORPs both in terms of human and financial resources necessary to carry out the exercise. For some, the QIS will not be feasible without employing external consultants, thereby creating a significant financial strain on the IORP. Given the similar complexity to Solvency II, we would expect the cost of the QIS and finally the implementation of an analogous IORP II regime would be very similar to the total Solvency II QIS/implementation cost for insurers. We, therefore, call on EIOPA to carry out a cost/benefit analysis prior to carrying out the QIS. The technical specifications are based on an insurance business model which will be unfamiliar to many. In addition, the calculations proposed in the technical specification are overly complex and rely on too many assumptions creating model risk.	Noted. IORPs are requested to assess costs involved in doing the calculations in qualitative questionnaire
218.	Groupe Consultatif Actuariel Européen	Q4.	Do stakeholders believe that the calculations proposed in the technical specifications are feasible at appropriate costs and with appropriate accuracy within the given timeframe of the	Noted. IORPs are requested to assess uncertainty of

			QIS? We expect that only a small number of the largest IORPs would be able to undertake the calculations themselves and, even then, they would undoubtedly need to employ significant simplifications and approximations (quite probably with insufficient time to analyse their impact). This could introduce biases into the results of the QIS that could make the results difficult to interpret meaningfully. In addition, certain elements of the calculations are formulaic with some elements of the formulae appearing to be arbitrary and/or subjective. These include ☐ Maximum of 50% recovery rate (HBS 6.17); ☐ assessment of future profits and sponsors' earnings (HBS 6.36); ☐ proportion of shareholder funds available for the IORP; ☐ 50 bp adjustment to allow for the illiquidity premium (HBS 8.12); ☐ inflation and salary increase assumptions (HBS 8.23 and 8.24, respectively); ☐ mortality and longevity shocks of 15% and 20 % (SCR 7.17 and 7.29, respectively); and ☐ figures in the counter-party default risk module	outcomes and costs involved in doing the calculations in qualitative questionnaire Sponsor support section will be further developed Fixed inflation rates have been replaced by market implied rates Reference to calibration paper SCR has been added EIOPA agrees more QISs are needed

			There is no certainty that arbitrary elements used for the purpose of the QIS will be carried through to the final regime and so the results of the QIS appear likely to require subjective adjustment before they are appropriate for making policy decisions. This again militates in favour of a staged QIS process. The approximate methods that must inevitably be adopted for the QIS risk materially understating both the results and the resources required to provide results under the new regime, as implied by the QIS specification.	
219.	Hundred Group of Finance Directors	Q4.	Do stakeholders believe that the calculations proposed in the technical specifications are feasible at appropriate costs and with appropriate accuracy within the given timeframe of the QIS? No. In the UK, there are around 7,000 defined benefit IORPS, over 5,000 of which are relatively small (having fewer than 1,000 members) and for whom the costs of such an exercise would be prohibitively expensive. It is not feasible to expect all IORPs to provide calculations for the QIS – nor, by the same token, to expect them to carry out calculations of this complexity in the longer term as part of a Solvency II-style framework.	Noted. IORPs are asked to assess costs of QIS in qualitative questionnaire

			One option for the QIS (though not for the regime itself) would be for a member state's supervisor to provide estimated figures for the overall population of the country's pension schemes. However, in the UK, we doubt whether the Pensions Regulator has sufficient data on the sponsor covenant to give any meaningful results on these areas of the QIS and so believe that larger IORPS will also wish to respond to the QIS. However, we note that this will involve substantial costs for IORPs which might have been better directed to improving the funding of members' benefits. In any case, national supervisors will only be able to provide results on an aggregate basis, which will not capture the likely variability in the results for individual schemes.	
220.	IBM Deutschland Pensionsfonds AG	Q4.	No. We believe that IORPs will not be able to perform the calculations proposed in the technical specifications within the proposed timeframe at a reasonable cost. The timing of the QIS which will coincide with year-end activities will further reduce the ability of IORPs to participate. In addition, the accuracy of the calculations will be questionable. The level of complexity of the technical specifications as well as the heavy reliance on assumptions will lead to model risk. The "errors" will be compounded further when the regulator grosses up the results of a biased sample to reflect the universe of entities subject to regulation. Finally, further error will enter the equation when EIOPA transposes	Noted. IORPs are requested to assess uncertainties surrounding outcomes and costs of QIS

			these results to reflect the different confidence levels. Given the similar complexity to Solvency II, we would expect the cost of the QIS and finally the implementation of an analogous IORP II regime to be very similar to the total Solvency II QIS/implementation cost for insurers. We, therefore, call on EIOPA to carry out a cost/benefit analysis prior to carrying out the QIS.	
221.	Institute and Faculty of Actuaries	Q4.	Do stakeholders believe that the calculations proposed in the technical specifications are feasible at appropriate costs and with appropriate accuracy within the given timeframe of the QIS? It is, of course, possible to carry out the calculations by adopting appropriate approximations etc. However we are very concerned that the approximate methods that must inevitably be adopted for the QIS may materially understate both the results and the resources required for a regime in the form implied by the QIS specification. We also suspect that for the vast majority of sponsors, the methodology for valuing sponsor support would require the creation of at least some financial information relating to the sponsor that is not currently created and would require professional advice to create, with all that implies for additional cost.	Noted. IORPs are requested to assess uncertainties surrounding outcomes and costs of QIS
222.	Insurance Europe	Q4.	Insurance Europe has doubts as to whether the calculations proposed in the technical specifications are feasible at appropriate costs and with appropriate accuracy within the given timeframe of the QIS. In general, Insurance Europe	Noted. Some areas of technical specifications have been simplified,

			believes that more simplifications have to be provided. For example, the sponsor's financial capabilities are usually not easy to asses. It is already difficult for a single-employer IORP. For multi- employer IORP (which sometimes have more than 100 or even 1000 of sponsors) it seems to be impossible without further guidance and simplifications. It might be easier to use Cash flow projections of the IORP itself and to identify those Cash flows which are subject to security mechanisms or sponsor support (with some modification if appropriate). However the completion of the right parameters still is not easy.	sponsor support section will be further developed
223.	KPMG LLP (UK)	Q4.	That is for the member state regulators to answer. But we have significant doubts that data-gathering in the time proposed (less than three months) will lead to a sufficient level of accuracy. We would also have very significant concerns, were the contents of this QIS to become the requirements for IORPs. The cost and effort of completing these calculations on a regular basis, for small and indeed medium-sized IORPs, would be significantly disproportionate. Further, many trustees of IORPs of all sizes will not be familiar with many of the concepts, and consequently there will be a significant training cost for them.	Noted. IORPs are requested to assess uncertainties surrounding outcomes and costs of QIS
224.	Mercer Ltd	Q4.	Do stakeholders believe that the calculations proposed in the technical specifications are feasible at appropriate costs and with appropriate accuracy within the given timeframe of the QIS? We are not sure how to determine what an 'appropriate cost'	Noted. IORPs are requested to assess costs of QIS in qualitative questionnaire

			for carrying out the QIS should be. For example, if there were greater certainty about the direction that European regulation is likely to take, then it would be worth member state regulators and IORPs investing the time and effort in developing their approaches to the proposed calculations and considering what generalisations or approximations might be appropriate for their particular circumstances. However, at this stage in the process, apart from political pressure at the European level we are not convinced that the case has been made for the quantitative principles underling Solvency II to be applied to IORPs quite as directly as has been proposed here. This is particularly the case whist there is still a debate surrounding Solvency II as it applies to insurance companies. Even in that market there appears to be no general consensus that the approach adopted is the most desirable. So it seems perverse to impose costs on IORPs and their regulators in relation to a system that has not yet agreed in relation to its target market, let alone been implemented in practice and proven to meet its objectives. Because of the uncertainty about the approach proposed, we think it is unlikely that the QIS will provide useful information without imposing costs that could be considered disproportionate. Quite apart from the costs of this QIS, we are also very aware of the costs incurred by the insurance industry in preparing for	

			the implementation of Solvency II. Some individual companies have spent several million Euros (in aggregate, the estimated cost is 1.9 billion Euros per annum) engaging with their regulator and developing internal controls and systems. Such an expensive approach is unlikely to be appropriate for many IORPs and, in fact, would directly and materially contribute to a diminution in the security currently available to IORP members.	
225.	National Association of Pension Funds (NAPF)	Q4.	Do stakeholders believe that the calculations proposed in the technical specifications are feasible at appropriate costs and with appropriate accuracy within the given timeframe of the QIS? The NAPF's key concern is not so much about the cost of the QIS itself, but about the costs that IORPs will face if the proposed QIS methodology subsequently becomes the methodology that IORPs will have to use when calculating the Holistic Balance Sheet. The NAPF would argue that the significant costs that would be incurred cannot be justified by the very unreliable information that the Holistic Balance Sheet would generate. UK pension schemes only conduct an exercise of this level of complexity once every three years, in their triennial valuations. An average triennial valuation costs in the region of €51,000-€102,000, - more for the largest schemes. The calculation of the Holistic Balance Sheet would be even more costly, as it	Noted. IORPs are requested to assess uncertainties surrounding outcomes and costs of QIS in qualitative questionnaire

			would require extra calculations for sponsor covenant, pension protection schemes and Solvency Capital Requirement. There is a risk that the introduction of the Holistic Balance Sheet will actually cause confusion and unnecessary worry about the strength of pension scheme funding by generating spurious sets of numbers that do not accurately reflect the actual security of the members' benefits. There is also a risk that any disclosure of the detail of the Holistic Balance Sheet will cause market movement in relation to the sponsor's share price.	
226.	Pension Protection Fund, UK.	Q4.	We have a number of comments on the feasibility and affordability of the calculations, which we have divided into separate topics below. Relevance of results We recognise the importance of the QIS in understanding the impact of the proposals. However, as noted previously the calculations proposed are fundamentally different from those currently carried out by UK IORPs, and the majority of schemes will not be equipped to carry out the calculations themselves. In addition, to develop the systems necessary would incur disproportionate costs for these schemes and hence these costs	Noted. Aim of QIS is also for IORPs to explore new type of regime IORPs are requested to assess uncertainties surrounding outcomes and costs of QIS Sponsor support section will be further developed IORPs are allowed to use simplified duration

			represent a barrier to their participation in the QIS. For these reasons, we understand that it is proposed that the calculations for the UK are carried out at an aggregate rather than a scheme level. While this should provide some indication of the impact on UK IORPs, the actual impact may well be very different once individual IORP's characteristics are allowed for in detail. To give some context, in the UK, there are currently around 6,500 DB pension schemes. The majority of these are small – a third of these schemes have fewer than 100 members and their total assets make up only around 1% of total assets held by UK DB pension schemes. Conversely, around 250 large schemes hold around 60% of total assets held by UK DB pension schemes. While small schemes will be impacted by the proposals just as much as larger schemes, it will be very difficult to understand what the impact on them will be, because results will be dominated by the largest schemes. We expect that a similar pattern would be seen if the requirements as they currently stand are introduced, ie that small schemes will find it prohibitively expensive to develop the systems and knowledge to perform the necessary calculations. Sponsor support We have some concerns as to whether all the data required to perform the calculations will be available. In the UK, the trust-	approach in valuing technical provisions and calculating SCR for interest rate risk if cash flows are not available

			based system under which IORPs operate mean that the IORP is formally separated from the sponsor and will not have automatic access to non-public sponsor data. It may therefore be difficult to obtain all the necessary information from a company to value sponsor support, in particular expected future net profits. EIOPA may want to consider what information on a company's expected future performance should always be publically available. This could then be used to develop an approach to valuing sponsor support which can be done using only publically available information. More generally, the information required to value sponsor convenant is often subjective, for example actions taken in future business plans. We are concerned that, unless the information required is modified, collecting it will be impractical and will introduce inconsistencies between different entities and member states. Relevant expertise In general pensions actuaries operating in the UK do not have the relevant expertise to value sponsor covenant, for example calculating probability of default. Where information on sponsor covenant is required for statutory valuations in the UK, this is currently generally provided by a specialist. Other professionals who specialise in valuing covenant will therefore need to be engaged in the QIS. Similarly, certain calculations require an understanding of the member state's tax regime, which again	

			would require input from a range of professional experts. We would encourage EIOPA to engage with the relevant professional bodies to ensure that their members can provide advice where appropriate. Of course, the involvement of multiple different specialists will increase the costs of both the QIS itself and final post-implementation costs. It would be helpful to collect data on these costs. Discount rates The draft QIS proposes that term-dependent discount rates are used to value liabilities. However, as part of a previous consultation on a separate topic, the PPF asked UK IORPs whether or not they would be in favour of the use of term dependant discount rates. The most frequent response received was that this was not viewed as an appropriate approach on grounds of proportionality versus cost. We therefore propose that EIOPA sets out a single methodology for turning term-dependent discount rates into a single equivalent rate. This would help reduce the cost burden on smaller IORPs while ensuring consistency between different entitities.	
227.	Punter Southall	Q4.	Do stakeholders believe that the calculations proposed in the technical specifications are feasible at appropriate costs and with appropriate accuracy within the given timeframe of the QIS?	Noted. IORPs are requested to assess costs of running QIS

			No. The calculations proposed in the technical specifications are complex and will prove costly to many small to medium-sized IORPs in the UK particularly given the timeframe of the QIS. If calculations are carried out on an aggregate basis for all IORPs within a particular country, we would be concerned that the results will not highlight individual outcomes that should be considered as part of the QIS.	
228.	Railways Pension Trustee Company Limited (RPTCL)	Q4.	No, RPTCL expects that only the largest IORPs can feasibly carry out the calculations proposed with appropriate accuracy. The costs, which are likely to be material, will invariably fall on IORPs and their sponsors. If EIOPA has not already done so, RPTCL recommends that it should obtain details of the costs involved in developing and implementing Solvency II within the insurance industry, from which an estimate of the likely costs of implementing a revised IORP Directive could be derived. An assessment could then be made of whether any benefits of a new solvency regime are sufficiently high to justify the sizeable implementation costs. Moreover, if the regulatory response to an imbalance in the holistic balance sheet includes an increase in contributions, the potential impact of this on employer and member behaviours should be analysed.	Noted. IORPs are requested to assess costs of QIS, the impact of results and potential policy reactions in qualitative questionnaire

229.	RWE Pensionsfonds AG	Q4.	The details of these calculations do not consider the special situation of most IORPs. IORPs are very often characterized by having a very lean organization with no or little capacity for such a QIS. In our case as the largest "Pensionfonds" in Germany we have outsourced nearly all operational processes. That means we have to outsource the QIS as well, implying additional cost for the sponsor. How this can be appropriate is not clear to us.	Noted. IORPs are requested to assess costs of QIS in qualitative questionnaire
232.	Tesco Plc	Q4.	The consultation and future QIS pose huge, unnecessary cost to pension funds Given the lengthy and complex nature of this consultation, analysing the proposed calculations will involve huge additional cost and resource for pension funds. Employer sponsors will have to spend substantial sums on consultancy and actuarial fees – money which would otherwise be put into the pension fund. Similarly, participating in the future QIS will also be a very costly exercise. We do not see the value of introducing an entirely new methodology when the current UK system works very well and provides a strong security and funding framework. A number of different security mechanisms are already in place, including the Pension Protection Fund, the Pensions Regulator and "debt on employer" regulations, which prevent an employer from abandoning a scheme if it is not fully funded.	Noted. IORPs are requested to assess costs involved in doing the calculations in qualitative questionnaire

233.	Towers Watson B.V.	Q4.	Do stakeholders believe that the calculations proposed in the technical specifications are feasible at appropriate costs and with appropriate accuracy within the given timeframe of the QIS? We expect that the full scope of the QIS will only be feasible for a very limited number of very large IORPs, with limited time to consider the impacts. Significant simplifications and approximations may be necessary. This, as well as the fact that smaller IORPs may not participate at all, may lead to biased results. We question whether the benefits of the Solvency II-induced regime justify the costs and upheaval that the proposals will undoubtedly entail.	Noted. IORPs are requested to assess costs involved in doing the calculations in qualitative questionnaire
234.	Towers Watson GmbH, Germany	Q4.	No. That is obvious for the 140,000 IORPs in Europe, unless "appropriate" is used in an unusual manner. We expect that a small number of the very largest IORPs might be able to carry out the calculations, although undoubtedly using significant simplifications and approximations. This is bound to introduce biases into the results of the QIS that could make the results difficult to interpret.	Noted. IORPs are requested to assess costs involved in doing the calculations in qualitative questionnaire

			We question whether the benefits of the Solvency II-based regime justify the costs and upheaval that the proposals will undoubtedly entail. The Towers Watson proposal of 11th June 2012 to Commissioner Barnier would avoid such disproportionate costs and let a new regime evolve over time.	
235.	Towers Watson UK	Q4.	Do stakeholders believe that the calculations proposed in the technical specifications are feasible at appropriate costs and with appropriate accuracy within the given timeframe of the QIS? No. not generally. We expect that a small number of the very largest UK IORPs might be able to carry out the deterministic calculations and we have worked with some in doing so. However, this necessitates using significant simplifications and approximations and we are concerned that there is insufficient time to analyse their impact fully. This could introduce biases into the results of the QIS that could make the results difficult to interpret. In addition, certain elements of the calculations are formulaic with some parameters in the formulae appearing to be arbitrary and/or subjective. There is no certainty that arbitrary elements used for the purpose of the QIS will be carried through to the final regime and so the results of the QIS appear likely to require subjective adjustment before they are appropriate for the	Noted. IORPs are requested to assess costs involved in doing the calculations in qualitative questionnaire

			purpose of making policy decisions. We are very concerned that the approximate methods that must inevitably be adopted for the QIS risk materially understating both the results and the resources required to provide results under the new regime as implied by the QIS specification. In relation to the SCR, significant resource will be needed to assess this yet, in the UK environment, the presence of the SCR appears to be of little practical benefit. Ultimately, and taking into account the situation of UK IORPs in particular, we question whether the benefits of a new solvency regime justify the huge costs and upheaval that the proposals would undoubtedly entail. We reiterate the point in our response to question 1, that EIOPA should obtain details of the costs involved in developing and implementing Solvency II for insurers, from which they can extrapolate the likely costs if the same regime were applied across the far more numerous IORPs in the EEA.	
236.	Trades Union Congress (TUC)	Q4.	It appears unlikely that the costs of this exercise can be justified, given the expected reliability of the outputs.	Noted. IORPs are requested to assess uncertainty of outcomes and costs involved in doing the calculations in qualitative questionnaire
237.	Universities Superannuation Scheme Limited	Q4.	Do stakeholders believe that the calculations proposed in the technical specifications are feasible at appropriate costs and with	Noted. IORPs are requested to assess costs involved

			appropriate accuracy within the given timeframe of the QIS? No. As described above, the six week timescale for this consultation on the specification shows far too much haste, and it is not clear why such a tight timescale is being driven. We believe that the EC's own 'General principles and minimum standards for consultation of interested parties by the Commission'┐ stipulate a minimum of 8 weeks for consultations. In this case, the issues are more complex and more time is required to enable stakeholders to get input in order to make informed responses. We also believe that substantial costs would be incurred by IORPs if they were required to carry out assessments on covenant, funding etc. in the manner proposed in the QIS. These would not simply become part of existing actuarial valuation and sponsor support processes as they are different in specification, causing IORPs to incur unnecessary additional costs. There is also a risk that the introduction of the Holistic Balance Sheet will actually cause confusion and unnecessary worry about the strength of pension scheme funding by generating additional sets of numbers that do not accurately reflect the scheme's actual situation.	in doing the calculations in qualitative questionnaire

238.	UVB Vereinigung der Unternehmensverbände in Berlin	Q4.	As described above, the QIS will overwhelm many IORPs both in terms of human and financial resources necessary to carry out the exercise. For some, the QIS will not be feasible without employing external consultants, thereby creating a significant financial strain on the IORP. Given the similar complexity to Solvency II, we would expect the cost of the QIS and finally the implementation of an analogous IORP II regime would be very similar to the total Solvency II QIS/implementation cost for insurers. We, therefore, call on EIOPA to carry out a cost/benefit analysis prior to carrying out the QIS. The technical specifications are based on an insurance business model which will be unfamiliar to many. In addition, the calculations proposed in the technical specification are overly complex and rely on too many assumptions creating model risk.	Noted. IORPs are requested to assess costs involved in doing the calculations in qualitative questionnaire
239.	vbw – Vereinigung der Bayerischen Wirtschaft e. V.	Q4.	As described above, the QIS will overwhelm many IORPs both in terms of human and financial resources necessary to carry out the exercise. For some, the QIS will not be feasible without employing external consultants, thereby creating a significant financial strain on the IORP. Given the similar complexity to Solvency II, we would expect the cost of the QIS and finally the implementation of an analogous IORP II regime would be very similar to the total	Noted. IORPs are requested to assess costs involved in doing the calculations in qualitative questionnaire

			Solvency II QIS/implementation cost for insurers. We, therefore, call on EIOPA to carry out a cost/benefit analysis prior to carrying out the QIS. The technical specifications are based on an insurance business model which will be unfamiliar to many. In addition, the calculations proposed in the technical specification are overly complex and rely on too many assumptions creating model risk.	
240.	Vereinigung der hessischen Unternehmerverbände (Vh	Q4.	As described above, the QIS will overwhelm many IORPs both in terms of human and financial resources necessary to carry out the exercise. For some, the QIS will not be feasible without employing external consultants, thereby creating a significant financial strain on the IORP. Given the similar complexity to Solvency II, we would expect the cost of the QIS and finally the implementation of an analogous IORP II regime would be very similar to the total Solvency II QIS/implementation cost for insurers. We, therefore, call on EIOPA to carry out a cost/benefit analysis prior to carrying out the QIS. The technical specifications are based on an insurance business model which will be unfamiliar to many. In addition, the calculations proposed in the technical specification are overly complex and rely on too many assumptions creating model risk.	Noted. IORPs are requested to assess costs involved in doing the calculations in qualitative questionnaire
241.	Zusatzversorgungskasse des Baugewerbes AG	Q4.	No, ZVK-Bau does not believe that the calculations proposed in the Technical Specifications are feasible at appropriate costs and with appropriate accuracy within the given timeframe for the QIS.	Noted. IORPs are requested to assess uncertainty in outcomes and costs

			As mentioned within the General Comments the personal and financial resources needed to exercise the QIS will drain on IORPs, hinder a better participation and bias the representativeness of the results. Only the biggest IORPs will be able to afford the resources to implement the calculation within the given timeframe. The accuracy of the results will be flawed because of the excessive number of assumptions to make and the fact that models with such low guidance will not be comparable.	involved in doing the calculations in qualitative questionnaire