	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 Q19 - Q23	EIOPA-BOS-12/086 2 October 2012

EIOPA would like to thank OPSG; AbA; AEIP; Aon Hewitt; Association of British Insurers; Association of Consulting Actuaries UK; Barnett Waddingham LLP; BASF SE; Bayer AG; Bayerischer Industrieverband Steine und Erden e.V.; BDA; BdS – Bundesverband der Systemgastronomie e.V.; BVPI-ABIP; BlackRock; BTPS Management Ltd; Deloitte; Dexia Asset Management; EPRA, INREV, BPF, ZIA, IPF, Fastighetsagarna, AREF, RICS; EAPSPI; EFRP; 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; Investment and life Assurance Group Ltd; KPMG LLP (UK); Mercer Ltd; National Association of Pension Funds (NAPF); Punter Southall; Railways Pension Trustee Company Limited (RPTCL); Towers Watson B.V.; Towers Watson GmbH; Towers Watson UK; 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	Q19.	The OPSG thinks that operational risk can be ignored in a first QIS or otherwise could be a fixed number (as a simplification). Next to that, the OPSG would expect that the operational risk of IORPs should be at a lower level than for insurance companies (and therefore lower than the proposed parameter in the consultation document), since IORPs are not-for-profit organisations and therefore do not have the operational risks of a profit-seeking strategy. In addition, the cost of operational	Noted.

			failure may be met by third parties e.g. the sponsor or outsourced service provider meaning that the IORP would not suffer any financial impact from the operational failure.	
2.	aba Arbeitsgemeinschaft für betriebliche Altersver	Q19.	No. Should an IORP incur losses due to operational reasons, these are usually covered by the sponsoring employer. In Germany, it is the employer who chooses the funding vehicle for pensions, therefore, the employer is also responsible for its operational efficiency. Imposing a capital charge for operational risk is, therefore, inefficient and superfluous. In addition, the cost of operational failure may be met by outsourced service providers meaning that the IORP would not suffer any financial impact from the operational failure.	Noted.
3.	AEIP – The European Association of Paritarian Inst	Q19.	No, AEIP does not believe that the calculation of SCR in the operational risk module is adequate for IORPs. We find the formula proposed too difficult, complex and burdensome for small IORPs to follow. AEIP would suggest that operational risk might be ignored in this first QIS, especially where good governance models are already in place. Otherwise, EIOPA might consider proposing a simplification, i.e. a fixed number. Furthermore, it seems also questionable if there is actually a need for a very complex calculation of the operational risk when	Noted.

			the pillar II and III of a Solvency-II-like approach, which aim at good governance and transparency, might be implemented by IORP II.	
6.	Aon Hewitt	Q19.	It is difficult for us to answer this question, as EIOPA has not provided any justification or evidence to explain how the parameters for this module are derived. We would like EIOPA to explain where the parameters have come from (eg 4%, 0.45% etc) and why they are considered suitable for IORPs.	Noted.
7.	Association of British Insurers	Q19.	As outlined in Q16 it is difficult to comment on the adequacy of the calculation of the MCR and SCR without understanding the regulatory actions that would be triggered if these capital levels were breached.	Noted.
8.	Association of Consulting Actuaries UK	Q19.	As per our response to Q17, we do not believe it is possible to accurately measure unknown future legal/regulatory risks, in either DB or DC schemes, and this invalidates the calculation.	Noted.
9.	Barnett Waddingham LLP	Q19.	Further attention needs to be given to what the operational risk module is aiming to cover, for example regulatory risk.	Noted.
10.	BASF SE	Q19.	Do stakeholders believe that the calculation of SCR in the Operational risk module (Section 3.3) is adequate for IORPs? In Germany, on the basis of statutory subsidiary liability, employers are also liable for operational risks of the IORP. Against this background, it is not understandable why operational risks are not covered by the loss-absorbing capacity of the sponsor support.	Noted. Operational risk can be covered by the loss absorbing capacity of sponsor support (see

			Furthermore, the special governance structure of IORPs and "not-for-profit" nature of IORPs are not adequately taken into account in the calculation of operational risks.	SCR.2.24).
11.	Bayer AG	Q19.	No, see previous answers.	Noted.
12.	Bayerischer Industrieverband Steine und Erden e.V.	Q19.	We think that operational risk can be ignored in a first QIS or otherwise could be a fixed number (as a simplification). Next to that, we would expect that the operational risk of IORPs should be at a lower level than for insurance companies (and therefore lower than the proposed parameter in the consultation document), since IORPs are not-for-profit organisations and therefore do not have the operational risks of a profit-seeking strategy. In addition, the cost of operational failure may be met by third parties e.g. the sponsor or outsourced service provider meaning that the IORP would not suffer any financial impact from the operational failure.	Noted.
13.	BDA Bundesvereinigung der Deutschen Arbeitgeberver	Q19.	We think that operational risk can be ignored in a first QIS or otherwise could be a fixed number (as a simplification). Next to that, we would expect that the operational risk of IORPs should be at a lower level than for insurance companies (and therefore lower than the proposed parameter in the consultation document), since IORPs are not-for-profit organisations and therefore do not have the operational risks of a profit-seeking	Noted.

			strategy. In addition, the cost of operational failure may be met by third parties e.g. the sponsor or outsourced service provider meaning that the IORP would not suffer any financial impact from the operational failure.	
14.	BdS – Bundesverband der Systemgastronomie e.V.	Q19.	We think that operational risk can be ignored in a first QIS or otherwise could be a fixed number (as a simplification). Next to that, we would expect that the operational risk of IORPs should be at a lower level than for insurance companies (and therefore lower than the proposed parameter in the consultation document), since IORPs are not-for-profit organisations and therefore do not have the operational risks of a profit-seeking strategy. In addition, the cost of operational failure may be met by third parties e.g. the sponsor or outsourced service provider meaning that the IORP would not suffer any financial impact from the operational failure.	Noted.
15.	Belgian Association of Pension Institutions (BVPI-	Q19.	No. We believe for Belgian IORPs regulation in the context of good governance has minimized the operational risk where possible. As parameters are fixed, it seems measures taken in the context of the good governance regulation have not been taken into account.	Noted.
16.	BTPS Management Ltd	Q19.	As with other elements (highlighted above under Question 17)	Noted.

			we are concerned that the single, formula-based approach to operational risk may discourage IORPs from seeking actively to manage and mitigate their operational risks.	
17.	Deloitte Total Reward and Benefits Limited (UK)	Q19.	The calculation for operational risk appears somewhat arbitrary. It is not clear from the specifications how the factors have been determined. The rationale should therefore be set out in more detail to allow stakeholders to comment.	Noted.
18.	Dexia Asset Management	Q19.	Q19. Do stakeholders believe that the calculation of SCR in the Operational risk module (Section 3.3) is adequate for IORPs? The SCR for operational risk is not adequate for IORPs: the calculations are too complex for an item expected to be minor. A fixed percentage of technical provisions would be more adapted.	Noted.
19.	European Federation for Retirement Provision (EFRP	Q19.	Q19. Do stakeholders believe that the calculation of SCR in the Operational risk module (Section 3.3) is adequate for IORPs? Operational risk exists for IORPs, but should not be taken into account in this QIS as a simplification. In some Member States losses due to operational reasons are covered by the sponsoring employer. It is the employer who chooses the funding vehicle for pensions, therefore, the employer is also responsible for its operational efficiency. Spreading a potential operational loss	Noted.

			over the membership could therefore be in breach of labour law. Imposing a capital charge for operational risk is, therefore, inefficient and not needed. In addition, the cost of operational failure may be met by outsourced service providers. Nevertheless, if EIOPA would like to advice to the European Commission to incorporate a SCR for operational risk into the Technical Specifications, we think that the operational risk component of the SCR could be allowed to be inserted as a single parameter. Operational risk is certainly not the largest component of the SCR, and the reference to the size of past contributions is not expected to yield material differences between IORPs (relative to the size of the fund). The EFRP would like to highlight the special governance structure of IORPs. IORPs are not-for-profit. IORPs do not have the risk of a profit-seeking strategy and that reduces the operational risk. Where operational risk is already covered by other Directives (e.g. Mifid or UCITS), no further capital requirements shoud be asked.	
20.	Federation of the Dutch Pension Funds	Q19.	Given some of the simplifications proposed by EIOPA (e.g. inflation rate, risk margin, level B discount rate), we propose to refrain from operational risk, at least for the purpose of this QIS. Another alternative could be to allow for a single number	Noted.

			for the operational risk component. Operational risk is certainly not the most important component of the SCR, - DNB did not include operational risk in the solvency calculations of the FTK– and the reference to the size of past contributions is not expected to yield material differences between IORPs (relative to the size of the fund).	
21.	Financial Reporting Council – staff response	Q19.	We note that the formula for operational risk is based on the Solvency II formula. This formula is highly subjective and it is not clear that it is appropriate for an IORP. For example the formula takes no account of the quality of governance of the IORP. However we acknowledge that it is not possible to produce a formula which properly reflects operational risks. We would question whether it is correct to include 4% of the previous year's contributions in the formula. The contributions might include a deficit recovery payment which means that there would be double counting. We would suggest that the 4% should be applied to contributions excluding any deficit recovery payments.	Noted.
22.	German Institute of Pension Actuaries	Q19.	The operational risk calculation is in line with the calculation for life insurance business. Only if the IORP´s risks that are to be included within the Operational risk module are similar to those of a life insurance company, are the calculations appropriate. We do not believe this to be the case. The given approach is extremely hard to handle in particular for smaller IORPs. We expect that the costs will be not appropriate and this circumstance will reduce the number of participants so	Noted.

			that the information value is questionable.	
23.	GESAMTMETALL - Federation of German employer	Q19.	We think that operational risk can be ignored in a first QIS or otherwise could be a fixed number (as a simplification). Next to that, we would expect that the operational risk of IORPs should be at a lower level than for insurance companies (and therefore lower than the proposed parameter in the consultation document), since IORPs are not-for-profit organisations and therefore do not have the operational risks of a profit-seeking strategy. In addition, the cost of operational failure may be met by third parties e.g. the sponsor or outsourced service provider meaning that the IORP would not suffer any financial impact from the operational failure.	Noted.
24.	Groupe Consultatif Actuariel Européen	Q19.	Do stakeholders believe that the calculation of SCR in the Operational risk module (Section 3.3) is adequate for IORPs? These appear to be very similar to the corresponding modules proposed for Solvency II. It is not clear to us that inclusion of this Risk Module is a useful element of the QIS. The operational risk of IORPs is likely to be at a lower level than that for insurance companies (and therefore lower than the proposed parameter in the consultation document) – ☐ as not-for-profit organisations, IORPs do not have the operational risks of a profit-seeking strategy ☐ the cost of operational failure may be met by third parties e.g. the sponsor or outsourced service provider,	Noted.

			mitigating any financial loss to the IORP.	
25.	Hundred Group of Finance Directors	Q19.	Do stakeholders believe that the calculation of SCR in the Operational risk module (Section 3.3) is adequate for IORPs? We do not believe that any SCR is needed for operational risk in defined benefit IORPs (or indeed defined contribution IORPs). Other mechanisms (in particular the existence of trustees) already exist in UK IORPs for ensuring good governance and administration and preventing fraud which render an additional capital requirement unnecessary.	Noted.
26.	IBM Deutschland Pensionsfonds AG	Q19.	No. Should an IORP incur losses due to operational reasons, these are usually covered by the sponsoring employer. In Germany, it is the employer who chooses the funding vehicle for pensions; therefore, the employer is also responsible for its operational efficiency. Imposing a capital charge for operational risk is, therefore, inefficient and superfluous. In addition, the cost of operational failure may be met by outsourced service providers meaning that the IORP would not suffer any financial impact from the operational failure.	Noted.
27.	Institute and Faculty of Actuaries	Q19.	Do stakeholders believe that the calculation of SCR in the Operational risk module (Section 3.3) is adequate for IORPs?	Noted.

			No. The QIS specification is clearly designed for a financial institution resembling an insurer and is unsuitable for UK trust-based IORPs. The derivation of the parameters is unclear. It is desirable to have greater transparency as to how these have been arrived at. If this detail is made available, it seems to us to be appropriate to consult on the basis for deciding these parameters. It is not immediately clear to us how the operational risk module incentivises IORPs to improve operational risk management. That said, in the overall SCR the operational risk module is a comparatively small element. There is a risk that this could be 'over-engineered' affording spurious accuracy at the cost of further complication. On balance, we consider that EIOPA should confine itself to setting out principles to be interpreted according to local circumstances.	
28.	Insurance Europe	Q19.	It should be tested in the QIS. The outcome of the QIS should be carefully taken into account by EIOPA regarding the final advice	Noted.
29.	Investment and life Assurance Group Ltd	Q19.	A simple formula is welcomed but we believe that more research is necessary to justify the choice of inputs and the calibration.	Noted.
30.	KPMG LLP (UK)	Q19.	We cannot comment on this, as no indication has been given of the derivation of the proposed parameters.	Noted.
31.	Mercer Ltd	Q19.	Do stakeholders believe that the calculation of SCR in the Operational risk module (Section 3.3) is adequate for IORPs?	Noted.

			There is a slight difference between this and the insurance industry QIS 5 approach, but no explanation for it, except that it is likely to result in a lower operational risk reserve for IORPs than an insurance company would require which, all else being equal, seems reasonable. It is not possible to answer this question usefully because we do not know how the calculation is to be used and so we cannot say whether it is 'adequate'.	
32.	National Association of Pension Funds (NAPF)	Q19.	Do stakeholders believe that the calculation of SCR in the Operational Risk module (Section 3.3) is adequate for IORPs? There is no need for a separate SCR element for operational risk, as IORPs already cater for unforeseen eventualities through conventional contingency planning. Good governance also plays a key role in reducing operational risk.	Noted.
33.	Punter Southall	Q19.	Do stakeholders believe that the calculation of SCR in the Operational risk module (Section 3.3) is adequate for IORPs?	Noted.

			We do not believe that the calculation of SCR in the Operational risk module is necessary for UK IORPs since other mechanisms already exist to address this risk including the presence of the trustee body and good governance requirements.	
34.	Railways Pension Trustee Company Limited (RPTCL)	Q19.	For the reasons noted in Q16 and Q17, RPTCL does not consider the inclusion of the SCR to be appropriate . We have no additional comments to make on this question.	Noted.
37.	Towers Watson B.V.	Q19.	Do stakeholders believe that the calculation of SCR in the Operational risk module (Section 3.3) is adequate for IORPs? Even though the operational risk module is a comparatively small element of the overall SCR, we believe it is 'over-engineered', representing another component pointing to misleading precision.	Noted.
38.	Towers Watson GmbH, Germany	Q19.	Even though the operational risk module is a comparatively small element of the overall SCR, we believe it too is 'over-engineered', representing another component pointing to misleading precision.	Noted.
39.	Towers Watson UK	Q19.	Do stakeholders believe that the calculation of SCR in the Operational risk module (Section 3.3) is adequate for IORPs?	Noted.

			It should not be inferred from the technical points that we make about the SCR that we support its application; we are opposed to its use From a purely technical point of view it is desirable to have greater transparency as to how the parameters have been arrived at. If this detail is made available, it seems to us to be appropriate to consult on the basis for deciding those parameters. We would be interested in seeing data as to what additional losses IORPs have incurred in the past due to operational risks before these parameters are reconsidered. The options available to IORPs to recover such losses by actions against third-party advisers and insurers should also be taken into account. We have a strong concern that an operational risk capital requirement determined in a formulaic way disincentivises IORPs to improve operational risk management. That said, in the overall SCR the operational risk module is a comparatively small element. There is a risk that this could be 'over-engineered' affording spurious accuracy at the cost of further complication.	
40.	Universities Superannuation Scheme Limited	Q19.	Do stakeholders believe that the calculation of SCR in the Operational Risk module (Section 3.3) is adequate for IORPs? Operational risk exists for IORPs, but we believe that these should not be taken into account in this QIS as they are part and parcel of day-to-day scheme management.	Noted.

41.	UVB Vereinigung der Unternehmensverbände in Berlin	Q19.	We think that operational risk can be ignored in a first QIS or otherwise could be a fixed number (as a simplification). Next to that, we would expect that the operational risk of IORPs should be at a lower level than for insurance companies (and therefore lower than the proposed parameter in the consultation document), since IORPs are not-for-profit organisations and therefore do not have the operational risks of a profit-seeking strategy. In addition, the cost of operational failure may be met by third parties e.g. the sponsor or outsourced service provider meaning that the IORP would not suffer any financial impact from the operational failure.	Noted.
42.	vbw – Vereinigung der Bayerischen Wirtschaft e. V.	Q19.	We think that operational risk can be ignored in a first QIS or otherwise could be a fixed number (as a simplification). Next to that, we would expect that the operational risk of IORPs should be at a lower level than for insurance companies (and therefore lower than the proposed parameter in the consultation document), since IORPs are not-for-profit organisations and therefore do not have the operational risks of a profit-seeking strategy. In addition, the cost of operational failure may be met by third parties e.g. the sponsor or outsourced service provider meaning that the IORP would not suffer any financial impact from the operational failure.	Noted.

43.	Vereinigung der hessischen Unternehmerverbände (Vh	Q19.	We think that operational risk can be ignored in a first QIS or otherwise could be a fixed number (as a simplification). Next to that, we would expect that the operational risk of IORPs should be at a lower level than for insurance companies (and therefore lower than the proposed parameter in the consultation document), since IORPs are not-for-profit organisations and therefore do not have the operational risks of a profit-seeking strategy. In addition, the cost of operational failure may be met by third parties e.g. the sponsor or outsourced service provider meaning that the IORP would not suffer any financial impact from the operational failure.	Noted.
44.	Zusatzversorgungskasse des Baugewerbes AG	Q19.	No, ZVK-Bau does not believe that the calculation of SCR in the operational risk module is necessary for IORPs within this QIS. In order to allow a broader participation we invite EIOPA to strip this QIS from unnecessary details and to skip any assessments on operational risks.	Noted.
45.	OPSG	Q20.	First of all, the OPSG believes that some of the basic calculations are too complex, given the expected materiality of the risk and the purpose of this QIS. Start simple and possible sophistication in later stages will result in a better outcome. As discussed earlier, certain risk categories are not relevant for IORPs (such as catastrophe risk) and should at the least be excluded from this first QIS. From a technical point of view, the simplifications provided for	Noted.

			the calculation of the SCR appear to be adequate but this can only be ascertained by practical testing.	
46.	aba Arbeitsgemeinschaft für betriebliche Altersver	Q20.	No. The above risks are either non-existent or immaterial for IORPs. Leaving these out of the QIS would not alter the results significantly.	Noted.
47.	AEIP – The European Association of Paritarian Inst	Q20.	No, AEIP does not believe that the simplifications provided for the calculation of the SCR are adequate. We find the formula proposed, even where simplifications are suggested, to be too difficult, complex and burdensome for small IORPs to follow at this stage. AEIP does believe that for the upcoming QIS, most of the other risk modules should not be included in the calculation of the SCR as they are not likely to be material: operational risk, pension revision risk, pension catastrophe risk, health risk, intangible asset risk, pension disability-morbidity risk, counterparty-default risk.	Noted. Excluding a particular risk (sub-)module in the SCR calculation in case it is not material will be considered a simplification in the QIS.
49.	Aon Hewitt	Q20.	You have asked for comments on some of the specific simplifications provided in the document. In our response to this question, we also comment on some of the other simplifications for calculating SCR (including simplifications for market risk which is likely to be one of the biggest individual risks for many IORPs).	Noted.

			Firstly, it is not clear how the risk adjustments have been derived. Please can you confirm that they represent 1 in 200 year outcomes in each case. Justification is also required. Market risk: The definition of "Other" is too wide. In particular, some investments such as private equity, hedge funds, infrastructure, and commodities have different risk/return characteristics to listed equities, and it is not appropriate to group them together for the purpose of calculating a risk level. This is particularly the case for IORPs who may have much larger exposure to these other types of investments than is the case for insurers We would prefer to see "other" broken down into different types and considered separately. Given the level of detail for calculating spread risk and concentration risks (which are likely to have much smaller values than market risk), we think it is appropriate to consider further for equity risk given its overall significance. Market risk (infrastructure asset): In particular, many IORPs invest, or are considering investing, in infrastructure as they can give a more stable series of long-term cash flows than equity investments. Governments are also keen to have pension funds investing in long-term infrastructure investments. Given this, a proposed 40% risk charge on infrastructure investments appears penal and could discourage investment in this area (and therefore also impact overall European competitiveness by not supporting growth), so we would like to	

			see a lower charge used for infrastructure (eg 25% in line with property or 30% in line with EEA equities). Spread-risk (see our comments on SCR.5.93 and SCR.5.94): Given recent bail-outs and credit downgrades in a number of EEA countries , we do not think it is appropriate to say that no capital requirement should apply for bonds issued by EEA states. We think the same considerations should be made as for non-EEA states in SCR.5.94; so there is a risk factor for any EEA government bond issued by a country with a credit rating of A or below. Also it is not clear why the factors for unrated governments and central banks are better than those rated B or lower. Surely the lack of a rating would suggest concerns about the credit quality of the government or bank concerned? Collateral: We have not studied this section in detail, but we welcome simplifications to calculate collateral. At this stage we are unable to say whether we consider these to be appropriate simplifications for the risks concerned. Mortality, Longevity & Catastrophe The proposed simplifications appear relatively straightforward, but it could be possible for EIOPA to provide an even simpler simplification; and set the shock equal to a % of liabilities (with different percentages for pensioners and non-pensioners depending on the type of benefit). Given the long-term nature of these risks, it is unclear how the actual parameters have been chosen for the 99.5% confidence level (eg a 15% increase in mortality	

			rates for the mortality risk charge; a 20% decrease in mortality rates for the longevity risk charge). Please could EIOPA explain its thinking. Benefit option risk: It is not entirely clear what risks are supposed to be included in this module? What about the risk of conversion terms changing in the future; what about the risk of adverse demographic experience eg turnover, early retirement. Given the insurance-focused nature of the wording, it is not easy to work out what risks EIOPA want to have captured in this module? What about salary increases being higher than expected? What about pension increases being higher than expected? What about members having a greater number of beneficiaries than expected (so greater levels of benefits payable upon death). In general, there is a danger of the approach adopted being disproportionate for IORPs as many of the benefit options are broadly cost-neutral. Revision risk: The proposed simplification may not be appropriate or sufficient depending on the risks that this is supposed to cover. EIOPA should also clarify whether it means "benefits payable" instead of "annuities payable", as annuities seems to be insurance-specific. It is difficult to be certain which annuities/benefits might be subject to changes in the "legal environment" given that the law can be changes in unexpected ways. This aspect ought to be clarified. For example, the possible revision of the pensions directive is itself an uncertainty. In the UK, we have potential uncertainty surrounding GMP equalisation, application of TUPE to early	

			retirement and pensions; application of age-discrimination to IORPs following the Test-Achats Case in 2011? These are all linked to the legal environment, and is EIOPA saying that the capital requirement for this risk is simply 3% of annuities payable. EIOPA should clarify where the 3% has come from, and whether it is considered to be appropriate to all types of benefits in all member states? Concentration risk: We note that, where IORPs have significant equity allocations, they may well have holdings in individual companies that are above the concentration threshold. These holdings are, in many cases, likely to be holdings in the largest companies in their member state, as such companies will form a large proportion of local equity indices. This means IORPs may also be penalised even if they invest passively in index-tracking portfolios. We think the proposed thresholds of 1.5%/3% could penalise investment in some of Europe's largest companies (many of which have a geographically diverse business). It is not clear if EIOPA has considered this point, but we do not think EIOPA's intention should be to discourage investment in Europe's largest companies. It also seems inappropriate to have a low threshold for holdings in large European companies, and a 10% threshold in a single property (see SCR.5.124) Given this, we think that the concentration thresholds should be reviewed, or set so they at least based on the percentage exposure in underlying stock market indices, or set so they are the same as the threshold for individual properties in SCR.5.125 Intangible asset risk: It is unclear why EIOPA thinks intangible	

			asset risk is an issue for IORPs. We note that in EIOPA's Final Report on QIS5 for insurers, intangible risk was 0% (ie nil!) of the overall Basic SCR, so why is EIOPA asking IORPs to consider this at this stage? Overall, despite the proposed simplifications, it will take a significant amount of work to calculate the SCR for each IORP, and many pension liability risks (with the possible exception of the longevity risk) will be small relative to the market risks. Given no decision has been made on confidence levels, we offer a further simplification, to set the Pension Liability risk to a % of Technical Provisions. Initial modelling for some of our clients in the UK indicates a suitable % could be around 10%. For IORPs that do not have longevity risk, the % could be lower. 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.	
50.	Association of British Insurers	Q20.	As outlined in Q16 it is difficult to comment on the adequacy of the calculation of the MCR and SCR without understanding the regulatory actions that would be triggered if these capital levels were breached.	Noted.
51.	Association of Consulting	Q20.	We believe that certain risks that will be obvious to a	Noted.

	Actuaries UK		professional expert advisor would not be material or appropriate (eg mortality risk for a typical UK DB scheme). Rather than slavishly following a formulaic approach, if, in the final regulations, there was scope for the exercise of expert professional judgement on the selection of the risks to be modeled, this would be a helpful simplification.	
52.	Barnett Waddingham LLP	Q20.	We would hope that the proportionality section gives IORPs the flexibility to adopt alternative simplifications if appropriate, for example to exclude certain modules or risks. However, it would be helpful for EIOPA to clarify this. We would also like EIOPA to clarify the process needed to adopt an alternative simplification as the level of detail suggested in the proportionality section seems unduly burdensome.	Noted. Excluding a particular risk (sub-)module in the SCR calculation in case it is not material will be considered a simplification in the QIS.
53.	BASF SE	Q20.	Do stakeholders believe that the simplifications provided for the calculation of the SCR (for spread risk on bonds in section 3.5, value of collateral in section 3.6 and mortality, longevity, benefit option and catastrophe risk in section 3.7) are adequate? Do stakeholders have any concrete suggestions for additional simplifications? As discussed in the answer to Question 16, we think that risk-based capital requirements according to Solvency II do not fit the business model of IORPs.	Noted.
54.	Bayer AG	Q20.	No, see previous answers.	Noted.
55.	Bayerischer	Q20.	First of all, we believe that some of the basic calculations are	Noted.

	Industrieverband Steine und Erden e.V.		too complex, given the expected materiality of the risk and the purpose of this QIS. Start simple and possible sophistication in later stages will results in a better outcome. As discussed earlier, certain risk categories are not relevant for IORPs (such as catastrophe risk) and should at the least be excluded from this first QIS.	
56.	BDA Bundesvereinigung der Deutschen Arbeitgeberver	Q20.	First of all, we believe that some of the basic calculations are too complex, given the expected materiality of the risk and the purpose of this QIS. Start simple and possible sophistication in later stages will results in a better outcome. As discussed earlier, certain risk categories are not relevant for IORPs (such as catastrophe risk) and should at the least be excluded from this first QIS.	Noted.
57.	BdS – Bundesverband der Systemgastronomie e.V.	Q20.	First of all, we believe that some of the basic calculations are too complex, given the expected materiality of the risk and the purpose of this QIS. Start simple and possible sophistication in later stages will results in a better outcome. As discussed earlier, certain risk categories are not relevant for IORPs (such as catastrophe risk) and should at the least be excluded from this first QIS.	Noted.
58.	Belgian Association of Pension Institutions (BVPI-	Q20.	No. We do strongly disagree to the principle of the calculation of the SCR. It is too complex and too burdensome for the small	Noted.

			Belgian IORPs. Furthermore a lot of calculations are imposed although in the Belgian context those risks are not born by the IORP. Complex SCR calculations while loss absorbing capacities will mostly neutralize them. The costs to make all these type of calculation are not in proportion to size of the Belgian IORPs. This part seems to be a copy paste of Solvency II and does not take into account the specificities of an IORP. More simplifications are needed. Next to our disagreement to the SCR we consider as stated earlier the calculation of sponsor support in the HBS as extremely costly and burdensome. On top the iterative approach on the loss absorbing elements in the SCR calculation ask for a more pragmatic and simplified approach. We regret we cannot further simplify e.g. for the interest rate risk to consider to perform a shock on the average duration instead of looking at the shock per maturity?. We welcome all simplifications, but wonder if the simplification on interest rate risk does not lead to a dubbel counting of the stress for the spread risk? Is the tradeoff between yield and spread accurately present (i.e. the partial compensation effect between yield and spread). Further simplifications for risks which are not material would be more than welcomed.	

59.	BTPS Management Ltd	Q20.	Many of these risks will be immaterial and so would be better ignored – especially given the complexity of the calculations which would be required. The cost-benefit analysis here would strongly argue that the best simplification would be for this section simply to be dropped. In addition, we would note that an instantaneous longevity shock of 20% seems wholly unrealistic given the nature and direction of demographics. A smoothed approach would be more appropriate.	Noted.
60.	Deloitte Total Reward and Benefits Limited (UK)	Q20.	As mentioned in our response to Q6, it is challenging to provide input on proposed simplifications whilst the overall purpose and suitably of the holistic balance sheet is unclear.	Noted.
61.	Dexia Asset Management	Q20.	Q20. Do stakeholders believe that the simplifications provided for the calculation of the SCR (for spread risk on bonds in section 3.5, value of collateral in section 3.6 and mortality, longevity, benefit option and catastrophe risk in section 3.7) are adequate? Do stakeholders have any concrete suggestions for additional simplifications? The SCR calculations are very complex so any simplification would be positive. and we suggest more simple formulas for the SCR in the following form: a. SCR = k = x * Level A TP (x = 15% or 20% or 25%)	Noted.

			b. SCR = k + y (y = abs(200*basis point value of deficit of invested assets against level A TP)) c. SCR = 3* standard deviation of deficit of invested assets against level A TP It would be more straightforward and easier to compute for many IORP, and would not change the general conclusions. In its current form, we suggest to simplify the following components: - interest rate risk: we suggest the use of duration (just like for corporate bonds) - SCR for intangible assets should be simplified or deleted - SCR for concentration risk should be simplified or deleted - SCR for counterparty default should be simplified or deleted - SCR for pension liability risk should be simplified or deleted (the most important risks are longevity, expense and mortality)	
62.	EPRA, INREV, BPF, ZIA, IPF, Fastighetsagarna, AREF	Q20.	For the reasons stated in our general comments and our answer to Question 17, which we repeat below, we do not believe that the simplification provided for the calculation of the SCR for real estate in SCR 5.55 is adequate.	Noted.

			To begin, we do not believe that the risks IORPs are facing are adequately reflected in the calculation of the standard SCR market risk module. As discussed in more detail in our general comments above, applying to IORPs a framework that was designed for insurers (and based on banking regulation) is not suitable given that IORPs have a different business model and pay-out obligations. The obligations of IORPs are stable and predictable and therefore do not require large amounts of short-term available capital. Long-term investments like real estate provide the long-term, predictable and relatively stable cash flows that IORPs rely on to match their liabilities. For IORPs, rental income generation from real estate investments tends to be more important than short-term returns and rental income flows are managed in even volatile markets by long-term leases with stable tenants and diversified lease expiries. Rather than liquidating assets for liquidity needs, IORPs tend to hold on to assets during market downturns, as was shown in the recent financial crisis. We also believe that inflation risk is underestimated in the IORP proposals. Inflation risk could be considered in the calculation of the SCR, especially for unconditional inflation linked pension benefits and final salary plans. In addition, the notion (also a feature of SII) that no capital requirement should apply to borrowings by (or guaranteed by) national government of an EEA state cannot be logically supported in light of the sovereign	See added option on inflation and real rate.

			debt crisis that has been playing out for the last two years. SCR.5.55. sets the property solvency capital charge at 25%, which we believe does not adequately reflect the risks IORPs are facing. The property solvency capital charge has been carried over from the currently proposed SII regime for insurers, and research demonstrates that this figure is not an appropriate reflection of the true risk posed by European property investments. Applying the same figure to IORPs raises the same arguments, as well as additional concerns specific to IORPs detailed in our general comments, such as the fact that they are not focused on pursuing profit and, due to the very stable and predictable payment obligations and the long-term nature of these obligations, they are able to maintain a countercyclical investment policy and a prudent long-term investment horizon. In turn, IORPs' long-term investment horizon means that any short-term deficits arising from financial turmoil can be recouped in the long run as a result of the long duration of their liabilities, their ability to share risks among generations and through their use of additional risk-mitigating instruments. The 25% solvency capital charge does not reflect the entire spectrum of the European property market and ignores diversification benefits. It is therefore wrong to continue to rely on the figure proposed for insurers under SII and extend its application to IORPs. Alternative data sources exist and their validity has been well documented in an industry study conducted by IPD which clearly establishes that an SCR that is	

			truly reflective of European property market volatility should be no greater than 15%. As insurers across Europe develop internal models for real estate in response to Solvency II, their data clearly support the conclusion that there is significantly lower volatility in European real estate markets than the QIS proposes. National regulators will be aware of this fact from their preliminary discussions with insurance companies that are developing internal models under Solvency II. As stated in the QIS section HBS.3.14 c) it is difficult to derive property implied volatility in the absence of a property derivatives market, and we agree that the volatility of a property index may be used to calibrate market solvency capital charges. However, the index must be representative of the entire European market. The data used to compute the 25% solvency capital charge cannot be reasonably justified to support the calibration of a representative, EU-wide property risk sub-module as it is based on data from a single country. Such an approach to risk calibration does therefore not accurately reflect the risk posed by real estate investments. As noted in our general comments above, a property risk sub-module that overstates the real risk results in side-lining of capital needed to produce stable returns for IORPs and to support real estate-related employment and economic growth. Furthermore, it is market distortive as it reduces incentives to invest in a relatively stable asset class with strong portfolio diversification characteristics.	

			Therefore we urge EIOPA to reassess the data used to determine the Value at Risk for property and carry out a new study for setting the standard capital requirement for property that is transparently calculated and based on more representative data series from a broader selection of the EU property investment markets. Furthermore, EIOPA suggests in SCR.5.4. that the correlation of property to equity is 0.75. We note that property scores computed using IPD data never exceeded a 0.50 correlation for equities, and were more commonly negatively related to interest rates. The IPD study supports this notion. We would therefore welcome further discussion with EIOPA to understand how the correlation has been calculated and what methodology and data have been used. Finally, IPD research suggests that a reduction from 99.5% to either 97.5% or 95% in the confidence level used in the SCR calculation would have a very limited effect on 12 month Value at Risk for the European property markets reviewed as part of the study. Only when the confidence level is reduced by 5-10 percentage points is there a noticeable difference. Accordingly, simply reducing the confidence level required by the IORPs proposal should not be seen as an alternative to setting an appropriate SCR for property, which truly reflects European property market volatility.	
63.	European Association of	Q20.	Do stakeholders believe that the simplifications provided for the	Noted.

	Public Sector Pension Inst		calculation of the SCR (for spread risk on bonds in section 3.5, value of collateral in section 3.6 and mortality, longevity, benefit option and catastrophe risk in section 3.7) are adequate? Do stakeholders have any concrete suggestions for additional simplifications? See answers to Q6 and Q13.	
64.	European Federation for Retirement Provision (EFRP	Q20.	Q20. Do stakeholders believe that the simplifications provided for the calculation of the SCR (for spread risk on bonds in section 3.5, value of collateral in section 3.6 and mortality, longevity, benefit option and catastrophe risk in section 3.7) are adequate? Do stakeholders have any concrete suggestions for additional simplifications? The EFRP believes that some of the basic calculations are too complex, given the expected materiality of the risk and the purpose of this QIS. The proposed simplifications should be the basis formula. Many of these risks are either non-existent or immaterial for IORPs and should be left out of the QIS. The simplifications for Health risk, Intangible asset risk module, Pension disability-morbidity risk, Pension revision risk, Pension catastrophe risk sub-module and Counterparty default risk module are not (very) relevant for IORPs and should be excluded from this first QIS.	Noted. Excluding a particular risk (sub-)module in the SCR calculation in case it is not material will be considered a simplification in the QIS.

			The simplifications for mortality, longevity and catastrophe risk are adequate from a technical point of view, but the assumed stress scenarios are overestimated in our view (see also question 17). The proposed calculation method for interest rate risk could lead to double-counting of the spread risk and EFRP wonders whether an average calculation (the shock on interest rates based on an average duration) could be used.	
65.	Federation of the Dutch Pension Funds	Q20.	First of all, we believe that some of the basic calculations are too complex, given the expected materiality of the risk and the purpose of this QIS. More guidance is needed according to us. The proposed simplifications should be the basis formula. This is also the case because the requirements for proportionality are complex themselves. The proposed process on when to apply proportionality seems to be more labour-intensive than doing actual calculations and for this QIS the level of detail for proportionality seem superfluous. In respect of simplification, health risk, operational risk, intangible asset risk module, pension disability-morbidity risk, pension revision risk, pension catastrophe risk sub-module and counterparty default risk module are not (very) material for IORPs and should be excluded from this first QIS. At the same time, we suggest to include (wage) inflation risk. In the Dutch FTK framework, we work with the following risks: interest rate risk, market risk, currency risk, commodity risk, credit risk and insurance risk.	Noted. Excluding a particular risk (sub-)module in the SCR calculation in case it is not material will be considered a simplification in the QIS.

			The simplifications provided for the calculation of the spread risk and collateral are adequate. The simplifications for mortality, longevity and catastrophe risk are adequate from a technical point of view, but the assumed stress scenarios are overestimated in our view.	
66.	Financial Reporting Council – staff response	Q20.	We consider that the simplified formula for the spread risk SCR will make the calculations much easier to perform. We would expect that the simplification will not lead to a material loss of accuracy. A further simplification might be to consider only bonds of BB or below in the stressed scenario. The formula could then be further simplified to %MV*F*duration in respect of those bonds. The simplifications for the value of collateral SCR and the elements of the pensions risk SCR appear reasonable although the parameters appear subjective.	Noted.
67.	German Institute of Pension Actuaries	Q20.	The same simplifications as for life insures are used. Some of the basic calculations are too complex and will overburden IORPs - given the expected materiality of the risk and the purpose of this QIS - and certain risk categories are not relevant for IORPs. The given approach is extremely hard to handle in particular for smaller IORPs. We expect that the costs will be not appropriate	Noted.

			and this circumstance will reduce the number of participants so that the information value is questionable.	
68.	GESAMTMETALL - Federation of German employer	Q20.	First of all, we believe that some of the basic calculations are too complex, given the expected materiality of the risk and the purpose of this QIS. Start simple and possible sophistication in later stages will results in a better outcome. As discussed earlier, certain risk categories are not relevant for IORPs (such as catastrophe risk) and should at the least be excluded from this first QIS.	Noted.
69.	Groupe Consultatif Actuariel Européen	Q20.	Do stakeholders believe that the simplifications provided for the calculation of the SCR (for spread risk on bonds in section 3.5, value of collateral in section 3.6 and mortality, longevity, benefit option and catastrophe risk in section 3.7) are adequate? Do stakeholders have any concrete suggestions for additional simplifications? These appear to be very similar to the corresponding modules proposed for Solvency II.	Noted.
70.	Hundred Group of Finance Directors	Q20.	Do stakeholders believe that the simplifications provided for the calculation of the SCR (for spread risk on bonds on section 3.5, value of collateral in section 3.6 and mortality, longevity, benefit option and catastrophe risk in section 3.7) are adequate? Do stakeholders have any concrete suggestions for additional simplifications? No comment.	Noted.

71.	IBM Deutschland Pensionsfonds AG	Q20.	No. The above risks are either non-existent or immaterial for IORPs. Leaving these out of the QIS would not alter the results significantly.	Noted. Excluding a particular risk (sub-)module in the SCR calculation in case it is not material will be considered a simplification in the QIS.
72.	Institute and Faculty of Actuaries	Q20.	Do stakeholders believe that the simplifications provided for the calculation of the SCR (for spread risk on bonds in section 3.5, value of collateral in section 3.6 and mortality, longevity, benefit option and catastrophe risk in section 3.7) are adequate? Do stakeholders have any concrete suggestions for additional simplifications? Our view is that these areas need to be considered in far more detail. We would welcome the opportunity to help EIOPA develop suitable simplifications.	Noted.
73.	Insurance Europe	Q20.	It should be tested in the QIS. The outcome of the QIS should be carefully taken into account by EIOPA regarding the final advice	Noted.
74.	KPMG LLP (UK)	Q20.	Splitting out mortality-sensitive technical provisions from longevity-sensitive technical provisions will be impractical in the UK, regardless of whether this is done with respect to technical provisions by policyholder or by benefit type (which we cannot see specified). This will be true at an IORP level, but can be	Noted.

			considered pointless at an aggregate level under the QIS. We also believe the exposures to mortality and longevity will be more negatively correlated than for insurers, as UK IORPS provide both types of benefit to the same group of people, rather than through different business lines. By extension, similar principles apply to the correlation coefficient proposed for catastrophe risk and longevity risks within the IORP. For all but the very largest UK IORPS, the required level of detail around spread and concentration risk will not be easily accessible without significant additional reporting from third party asset managers. We would anticipate substantial cost to assess information on what will in most cases be a risk that is largely diversified away by other risks.	
75.	Mercer Ltd	Q20.	Do stakeholders believe that the simplifications provided for the calculation of the SCR (for spread risk on bonds in section 3.5, value of collateral in section 3.6 and mortality , longevity, benefit option and catastrophe risk in section 3.7) are adequate? Do stakeholders have any concrete suggestions for additional simplifications? A principles based approach would likely result in better outcomes. Spread risk and collateral – these areas are particularly complicated , we expect to the extent of spurious accuracy, since because of the necessary simplifications (for example, having to class bonds by credit rating, which results in cliff edge effects) and the unavoidable approximation (for example, the	Noted.

			base insolvency probabilities and the spread risk factors). We would also point out that in many cases, the granular information needed to calculate this stress may not be available to IORP managers. Mortality – heavier mortality is normally a small part of an IORPs risk portfolio that is often reinsured out. In that case, it could be possibly to ignore this aspect of the calculation entirely. Longevity – improvements in mortality rates are difficult to predict, particularly for younger members. In a closed, or very mature, scheme where most of the liabilities are pensioners, the proposed stress is likely to over state the risk; for 'younger' schemes, it might understate it. Certainly, a fixed stress applied to all schemes is unlikely to give useful information. Benefit option – the principles here have been copied from the insurance industry QIS5 lapse risk module. We consider the risk of exercising an option to be different from those of lapsing a policy, partly because there is no subsequent loss to the IORP (for example, if an insurance policy is lapsed, the loss of premium income can affect the emergence of profit). We also observe that many options are only infrequently exercised, so it is hard to determine reliable assumptions. Hence, the amount of detail apparently required seems	

			excessive for a calculation that will be at best a rough approximation. Catastrophe risk – This module requires further thought.	
76.	National Association of Pension Funds (NAPF)	Q20.	Do stakeholders believe that the simplifications provided for the calculation of the SCR (for spread risk on bonds in section 3.5, value of collateral in section 3.6 and mortality, longevity, benefit option and catastrophe risk in section 3.7) are adequate? Do stakeholders have any concrete suggestions for additional simplifications? Some of the basic calculations are too complex, especially if the Holistic Balance Sheet is only to be used as an indicative item. As argued in answer to Question 17 above, a number of the risks currently proposed for the SCR are inappropriate for IORPs and should be removed. For example, mortality could be removed, as it is more likely to produce a profit than a loss. The mortality and longevity sub-modules could be combined for IORPs. In our view, the application of the benefit option risk sub-module needs to be clarified for IORPs. In particular, it is not	Noted.

			clear how benefit options such as commutation of pension for a cash sum at retirement are to be taken into account. The lack of clarity arises because the wording used has been drafted in an insurance, rather than an IORP, context.	
77.	Punter Southall	Q20.	Do stakeholders believe that the simplifications provided for the calculation of the SCR (for spread risk on bonds on section 3.5, value of collateral in section 3.6 and mortality, longevity, benefit option and catastrophe risk in section 3.7) are adequate? Do stakeholders have any concrete suggestions for additional simplifications? No comment.	Noted.
78.	Railways Pension Trustee Company Limited (RPTCL)	Q20.	For the reasons noted in Q16 and Q17, RPTCL does not consider the inclusion of the SCR to be appropriate . We have no additional comments to make on this question.	Noted.
81.	Towers Watson B.V.	Q20.	Do stakeholders believe that the simplifications provided for the calculation of the SCR (for spread risk on bonds in section 3.5, value of collateral in section 3.6 and mortality, longevity,	Noted.

			benefit option and catastrophe risk in section 3.7) are adequate? Do stakeholders have any concrete suggestions for additional simplifications? The application of the benefit option risk sub-module needs to be clarified for IORPs. In particular, it is not clear how benefit options such as commutation of pension for a cash sum at retirement are to be taken into account. The lack of clarity arises because the wording used has been drafted in an insurance, rather than an IORP, context.	
82.	Towers Watson GmbH, Germany	Q20.	The proposed simplification for the longevity risk calculation in SCR 7.33 appears to be an excessively conservative reflection of the change in liability due to a longevity shock. In our view, the application of the benefit option risk sub-module needs to be clarified for IORPs. In particular, it is not clear how benefit options such as commutation of pension for a cash sum at retirement are to be taken into account. The lack of clarity arises because the wording used has been drafted in an insurance, rather than an IORP, context.	Noted.
83.	Towers Watson UK	Q20.	Do stakeholders believe that the simplifications provided for the calculation of the SCR (for spread risk on bonds in section 3.5, value of collateral in section 3.6 and mortality, longevity, benefit option and catastrophe risk in section 3.7) are adequate? Do stakeholders have any concrete suggestions for	Noted.

			additional simplifications? It should not be inferred from the technical points that we make about the SCR that we support its application; we are opposed to its use We believe that the mortality and longevity sub-modules could be combined for IORPs. At the very least, IORPs should only be required to apply the sub-module that produces the larger capital requirement, which will normally be the longevity sub-module. The proposed simplification for the longevity risk calculation in SCR.7.33 does not appear to be an accurate reflection of the change in liability due to a longevity shock. We would suggest a suitable alternative would be to use model point annuity factors. In our view, the application of the benefit option risk sub-module needs to be clarified for IORPs. In particular, it is not clear how benefit options such as commutation of pension for a cash sum at retirement, or early retirement take-up rates are to be taken into account. The lack of clarity arises because the wording used has been drafted in an insurance, rather than an IORP, context.	
84.	Universities Superannuation Scheme Limited	Q20.	Do stakeholders believe that the simplifications provided for the calculation of the SCR (for spread risk on bonds in section 3.5, value of collateral in section 3.6 and mortality, longevity, benefit option and catastrophe risk in section 3.7) are adequate? Do stakeholders have any concrete suggestions for additional simplifications?	Noted. Excluding a particular risk (sub-)module in the SCR calculation in case it is not material will be considered a simplification in the QIS.

			Some of the basic calculations are too complex, especially if the Holistic Balance Sheet is only to be used as an indicative item. Many of these risks are either non-existent or immaterial for IORPs and should be left out of the QIS. The simplifications for Health risk, Intangible asset risk module, Pension disability-morbidity risk, Pension revision risk, Pension catastrophe risk sub-module and Counterparty default risk module are not (very) relevant for IORPs and should be excluded from this first QIS.	
85.	UVB Vereinigung der Unternehmensverbände in Berlin	Q20.	First of all, we believe that some of the basic calculations are too complex, given the expected materiality of the risk and the purpose of this QIS. Start simple and possible sophistication in later stages will results in a better outcome. As discussed earlier, certain risk categories are not relevant for IORPs (such as catastrophe risk) and should at the least be excluded from this first QIS.	Noted.
86.	vbw – Vereinigung der Bayerischen Wirtschaft e. V.	Q20.	First of all, we believe that some of the basic calculations are too complex, given the expected materiality of the risk and the purpose of this QIS. Start simple and possible sophistication in later stages will results in a better outcome. As discussed earlier, certain risk categories are not relevant for IORPs (such as catastrophe risk) and should at the least be excluded from this first QIS.	Noted.

87.	Vereinigung der hessischen Unternehmerverbände (Vh	Q20.	First of all, we believe that some of the basic calculations are too complex, given the expected materiality of the risk and the purpose of this QIS. Start simple and possible sophistication in later stages will results in a better outcome. As discussed earlier, certain risk categories are not relevant for IORPs (such as catastrophe risk) and should at the least be excluded from this first QIS.	Noted.
88.	Zusatzversorgungskasse des Baugewerbes AG	Q20.	No, ZVK-Bau does not believe that the simplifications provided for the calculation of the SCR are necessary for IORPs within this QIS. In order to allow a broader participation we invite EIOPA to strip this QIS from unnecessary details and to refrain from asking for modeling most of the mentioned concepts.	Noted.
89.	OPSG	Q21.	The OPSG considers that the treatment of sponsor default risk should be a separate module and not be incorporated in the counterparty default risk module of the SCR calculation. This because of the importance of sponsor support in the HBS. The counterparty default risk module of the SCR calculation is very detailed and may not be that material (except for sponsor support). This is assessed by assuming 50% loss given default where probability of default is based on credit rating of sponsor e.g. 0.002% for AAA. The OPSG would recommend that an explanation for this approach is given to enable stakeholders to comment, and if appropriate to suggest alternatives.	Noted.
90.	aba Arbeitsgemeinschaft für betriebliche Altersver	Q21.	No. We do not understand the purpose of calculating the sponsor default risk as part of the SCR.	Noted.

91.	AEIP – The European Association of Paritarian Inst	Q21.	No, AEIP does not believe that the treatment of sponsor default risk in the counterparty default risk module of the SCR calculation is appropriate. We find the formula proposed are too difficult, complex and burdensome for small IORPs to follow at this stage. We question the need to evaluate the sponsor default risk if this is already taken care of in the valuation of the sponsor support. We thus invite EIOPA to remove this element from the SCR calculation. AEIP regrets that the proposed formulas heavily rely on the opinion of credit rating agencies. Moreover, the proposed methodology does not clarify how multiemployer, industry-wide IORPs should evaluate their sponsor support. The same problem applies to IORPs backed by not-for-profit or public organisations.	Noted.
92.	Aon Hewitt	Q21.	We do not agree that the case has been made for counterparty risk adjustments, other than in respect of non-collateralised swaps and other contracts of insurance.	Noted.
93.	Association of British	Q21.	As outlined in Q16 it is difficult to comment on the adequacy of	Noted.

	Insurers		the calculation of the MCR and SCR without understanding the regulatory actions that would be triggered if these capital levels were breached. It is important that, for example where insurance companies already comply with solvency II and make reserves in respect of their own employee IORPS that these are recognized in full and insurance companies are not required to effectively reserve twice.	
94.	Association of Consulting Actuaries UK	Q21.	The principle that the default of the sponsor should be treated in the same manner as the default described for all other counter parties seems sensible. However, many sponsors will not have a credit rating nor will they be insurance-related businesses. In these circumstances it does not seem appropriate to assume a standard 4.175% probability of default in all cases as they will vary greatly (e.g. charities, public body sponsors etc). In the UK, failure scores to all sponsors of defined benefit occupational pension schemes are used for the purposes of calculating the levy to be paid to the Pension Protection Fund. These failure scores may provide a more useful probability of default, for all UK sponsors, for the purposes of the QIS.	Noted.
95.	Barnett Waddingham LLP	Q21.	In the UK, most IORPs need to pay a levy to a pension protection scheme which is based, in part, on the estimated	Noted.

			probability of default of the sponsor. This would be more appropriate than a blanket 4.175% probability of default for all unrated sponsors.	
96.	BASF SE	Q21.	Do stakeholders believe that the treatment of sponsor default risk in the counterparty default risk module of the SCR calculation (Section 3.6) is appropriate? If not, what improvements would stakeholders suggest? The treatment of sponsor default risk is not sufficiently clear. In particular, it is absolutely unclear how the sponsor default risk should be valued for multi-employer plans.	Noted.
97.	Bayer AG	Q21.	No, see previous answers.	Noted.
98.	Belgian Association of Pension Institutions (BVPI-	Q21.	No. We do strongly disagree to the principle of the calculation of the SCR. It is too complex and too burdensome for the small Belgian IORPs. Furthermore a lot of calculations are imposed although in the Belgian context those risks are not born by the IORP. Complex SCR calculations while loss absorbing capacities will mostly neutralize them. The costs to make all these type of calculation are not in proportion to size of the Belgian IORPs. This part seems to be a copy paste of Solvency II and does not take into account the specificities of an IORP. More simplifications are needed. Next to our disagreement to the SCR we consider as stated	Noted.

			earlier the calculation of sponsor support in the HBS as extremely costly and burdensome. On top the iterative approach on the loss absorbing elements in the SCR calculation ask for a more pragmatic and simplified approach. A lot of specifications about sponsor default seem to be understudied, 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. How to determine the sponsor default risk in the context of local subsidiaries of multinational groups? Industry-wide plans? 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…) Public sector? Nonprofit sector? There seems to be overdependence on the judgment of rating agencies. Furthermore, the sponsor default risk is also double counted (both in the value of the sponsor support as well in the SCR for sponsor default risk).Therefore, we propose to not take the sponsor default risk into account in the SCR calculation. Furthermore, the counterparty default risk module of the SCR calculation is very detailed and may not be that material.	
99.	BlackRock	Q21.	Please see our General Comment above.	Noted.
100.	BTPS Management Ltd	Q21.	We would strongly question the over-reliance on credit agencies for sponsor default risk for a number of reasons. We have already noted under Question 11 that regulators are moving actively to ensure that credit ratings do not have a	Noted.

			disproportionate systemic effect, and it seems inappropriate to move in the opposite direction for IORPs. We note that many IORPs will not have a sponsor with a credit rating, and we fundamentally doubt that a credit rating and related assumed default rate based on historical evidence together with a mathematical model will reliably provide a sponsor default rate that is appropriate for the long term which is needed for IORP time horizons. We are also concerned about the potential double-counting embedded in this risk. Given that the HBS already includes a risk of sponsor default we would strongly argue that this needs further consideration to ensure that there is no duplication of both effort and the risk in the calculations.	
101.	Deloitte Total Reward and Benefits Limited (UK)	Q21.	It is unclear how the treatment of sponsor default risk under the SCR interacts with the allowance for sponsor default contained within the calculation of sponsor support. There appears to be the potential for double-counting the risk of sponsor default. We believe the timescale for review should be extended to allow all stakeholders to fully assess this risk.	Noted.
102.	Dexia Asset Management	Q21.	Q21. Do stakeholders believe that the treatment of sponsor default risk in the counterparty default risk module of the SCR calculation (Section 3.6) is appropriate? If not, what improvements would stakeholders suggest?	Noted.

			The SCR for counterparty default is very complex to calculate and should be simplified. In the specific case of SCR for sponsor default, we think: - Either SCR for sponsor default or adjustment of sponsor support for default risk should be deleted - SCR for sponsor default should be clarified in the case of multiemployer schemes and subsidiaries of groups	
103.	European Federation for Retirement Provision (EFRP	Q21.	Q21. Do stakeholders believe that the treatment of sponsor default risk in the counterparty default risk module of the SCR calculation (Section 3.6) is appropriate? If not, what improvements would stakeholders suggest? The modules presented here were thought to be extremely complicated and the EFRP would welcome more simplifications. Given the purpose of this QIS, it is advisable to simplify substantially or remove this entire section. The treatment of sponsor default risk is not sufficiently clear. It is unclear how the sponsor default risk should be valued in multi-employer plans, industry wide pension plans and pension plans in the public sector. We propose not to take the sponsor default risk into account in the SCR calculation, especially for multi-employer plans and non-for-profit schemes.	Noted.

			The proposed methodology at HBS.6.15 shows the probability of default of the sponsor assessed according to its "rating". However, many employers that sponsor pension schemes do not have a formal rating – those in the not-for-profit or charitable sectors. Therefore, a different method would need to be found of measuring probability of default. Due to the short time for response, the EFRP has so far not developed a technical and concrete alternative.	
104.	Federation of the Dutch Pension Funds	Q21.	In general, most of the proposed counterparty default risks are very difficult. Most of the text is copied from Solvency II where experience in this type of calculation has been built up over years. For IORPs, currently no capital requirement for counterparty default risk is calculated in such a detailed way as under Solvency II. Given the purpose of this QIS, it is advisable to simplify substantially or remove this entire section. More simplification is needed as stated above. The treatment of sponsor default risk is not appropriate and should according to us not been taken into account in the SCR. It is unclear how the sponsor default risk should be valued in multi-employer plans. The counterparty default risk module of the SCR calculation is very detailed and may not be that material.	Noted.
105.	Financial Reporting Council – staff response	Q21.	Setting the loss-given default as 50% for sponsor support does not capture the diversity of sponsors supporting IORPs.	Noted.
106.	German Institute of Pension Actuaries	Q21.	The sponsor default risk should not be part in the SCR calculation, because the probability of the sponsor`s default risk is already considered in the formula of the maximum sponsor support.	Noted.

			The given approach is extremely hard to handle in particular for smaller IORPs. We expect that the costs will be not appropriate and this circumstance will reduce the number of participants so that the information value is questionable.	
107.	Groupe Consultatif Actuariel Européen	Q21.	Do stakeholders believe that the treatment of sponsor default risk in the counterparty default risk module of the SCR calculation (Section 3.6) is appropriate? If not, what improvements would stakeholders suggest? Given the significance of sponsor support within the HBS, we believe that sponsor default risk warrants its own SCR module, separate from the counterparty default risk module. The valuation methodology for the HBS being proposed in HBS.6 by EIOPA implicitly assumes that IORP members will view this security mechanism through its (market consistent) value (to them). Without some further element it thus implicitly assumes that IORP members have infinitely-well diversified credit exposures, including any to the sponsors of IORPs introduced via their IORP benefit entitlements. This in practice will not be the case. Therefore, we might expect the capital computation to include some penalty, e.g. via a capital requirement in the SCR computation, corresponding to the dis-utility arising from concentration towards a single credit, here the sponsor (and perhaps also the PPS). There is in our opinion no theoretically correct way of	Noted.

			determining the overall level of this additional capital requirement. Some individual members may have benefits from many different IORP by the time they retire and may have other assets that provide diversification. For these members the appropriate SCR concentration charge may be close to zero for any given IORP benefit to which they are entitled. Other individual members may have all of their IORP benefits coming from a single IORP and may have little else by way of assets to sustain them in retirement. A more significant SCR concentration charge may be appropriate for them. There is no practical way of ascertaining where within this spectrum any such charge 'ought' to be set. Any theoretically correct aggregate level may also not be the same for IORPs and for, say, insurers or other financial services entities. More justifiable is to build in some dependency on credit rating. We would expect any concentration add-on to be lower for more highly rated exposures, as the risks involved are then less likely to materialise. In the light of the above we would suggest that EIOPA is open-minded on what capital charges are most appropriate for such concentrations. We note that the concentration capital add-on currently being proposed if the IORP had no other type 1 counterparty exposures appears to be as follows: Rating PD (%)	

			(%) (% of loss given default after allowing for recoveries) AAA .002 0.4 1.3 AA .01 1.0 3.0 A .05 2.2 6.7 BBB .24 4.9	

			14.7 BB 1.2 10.9 54.4 B or lower (or unrated excl. Solvency II insurers) 4.175 20.0 100.0 Whilst the way in which the add-on rises as credit rating falls may be reasonable, it is less clear to us given the above comments that the overall scale is appropriate. For the lowest rated category and for most unrated sponsors the proposed add-on seems to be about the same as the LGD after allowing for recoveries, which seems onerous, especially as there may be many unrated sponsors for smaller IORPs. Of course the SCR is only one part of the overall capital base that any IORP would need to possess to demonstrate adequate	

			solvency. If EIOPA has not already done so, we suggest that it estimates the overall position of a range of hypothetical IORPs all with access to contractual sponsor support but with different sponsor credit ratings, different levels of coverage of tangible assets versus accrued liabilities and different average accrued liability cash flow durations. This should help EIOPA to identify whether this aspect of the SCR computation as currently specified could produce unacceptable answers for a material number of IORPs.	
108.	Hundred Group of Finance Directors	Q21.	Do stakeholders believe that the treatment of sponsor default risk in the counterparty default risk module of the SCR calculation (Section 3.6) is appropriate? If not, what improvements would stakeholders suggest? It is not clear from the consultation how the incorporation of sponsor default in the SCR works alongside the inclusion of sponsor default as a separate item in the holistic balance sheet.	Noted.
109.	IBM Deutschland Pensionsfonds AG	Q21.	No. We do not understand the purpose of calculating the sponsor default risk as part of the SCR.	Noted.
110.	Institute and Faculty of Actuaries	Q21.	Do stakeholders believe that the treatment of sponsor default risk in the counterparty default risk module of the SCR calculation (Section 3.6) is appropriate? If not, what improvements would stakeholders suggest? No. In particular we consider that:	Noted.

			Loss-given default = 50% SponsorSupport is profoundly unsatisfactory in that it fails to capture the multi-dimensional nature of sponsor support and therefore risks substantially misstating the impact of the advice. In addition, at the 'theoretical/technical' level, as we mentioned in response to question 17, the issue of sponsor support could be subject to equity or concentration risk stress. The consultation document also seems unclear as to whether allowance should be made for the risk-mitigating effect of sponsor support in the 'counterparty default' risk calculation.	
111.	Insurance Europe	Q21.	It should be tested in the QIS. The outcome of the QIS should be carefully taken into account by EIOPA regarding the final advice	Noted.
112.	KPMG LLP (UK)	Q21.	The process is spurious given the shortcomings of the sponsor support valuation itself.	Noted.
113.	Mercer Ltd	Q21.	Do stakeholders believe that the treatment of sponsor default risk in the counterparty default risk k module of the SCR calculation (Section 3.6) is appropriate? If not, what improvements would stakeholders suggest? For many IORPs, the sponsor effectively provides 'solvency capital'. So we find it difficult to understand why the sections of the QIS have been given such little consideration when other areas, which relate to risks likely to be immaterial in many cases, are presented in excessive detail.	Noted.

			In particular, there are many different ways of assessing company covenant, which manifests itself in different ways and is both a risk to the IORP as well as a risk mitigating factor: 50% of SponsorSupport seems totally arbitrary and likely to result in misleading outcomes. Our overall view is that the treatment of sponsor default in this module is of spurious accuracy, given the wide range of potential outcomes across member states on such a default.	
114.	National Association of Pension Funds (NAPF)	Q21.	Do stakeholders believe that the treatment of sponsor default risk in the counterparty default risk module of the SCR calculation (Section 3.6) is appropriate? If not, what improvements would stakeholders suggest? Sponsor default risk appears to be double-counted in the Holistic Balance Sheet – once in the calculation of sponsor support and once in the SCR. EIOPA should review this area to ensure there is no unnecessary duplication. Aside from this concern, the NAPF notes a number of other respects in which the proposal does not work well:	Noted.

			☐ It is not clear how sponsor default risk should be valued in the case of parent companies outside the European Economic Area. ☐ The consultation paper does not explain how sponsor default risk would be assessed in the case of multi-employer plans and those in the public sector. ☐ It is inappropriate to assume the 'worst' credit risk for those sponsors that do not have a formal credit rating (this would be unduly harsh on, for example, charities and academic institutions.	
115.	Punter Southall	Q21.	Do stakeholders believe that the treatment of sponsor default risk in the counterparty default risk module of the SCR calculation (Section 3.6) is appropriate? If not, what improvements would stakeholders suggest? We are unclear how the consideration of sponsor default in the SCR complements the inclusion of sponsor default in the holistic balance sheet.	Noted.

			In addition, there is insufficient information regarding the calculation of the sponsor default risk for multi-employer arrangements.	
116.	Railways Pension Trustee Company Limited (RPTCL)	Q21.	For the reasons noted in Q16 and Q17, RPTCL does not consider the inclusion of the SCR to be appropriate . We have no additional comments to make on this question.	Noted.
117.	Towers Watson B.V.	Q21.	Do stakeholders believe that the treatment of sponsor default risk in the counterparty default risk module of the SCR calculation (Section 3.6) is appropriate? If not, what improvements would stakeholders suggest? No. In particular we consider that the 50% sponsor support is arbitrary. It fails to capture the multi-dimensional nature of sponsor support and therefore risks substantially misleading results.	Noted.
118.	Towers Watson GmbH, Germany	Q21.	No. In particular we consider that the 50% sponsor support is arbitrary. It fails to capture the multi-dimensional nature of sponsor support and therefore risks substantially misleading results.	Noted.
119.	Towers Watson UK	Q21.	Do stakeholders believe that the treatment of sponsor default risk in the counterparty default risk module of the SCR	Noted.

			calculation (Section 3.6) is appropriate? If not, what improvements would stakeholders suggest? It should not be inferred from the technical points that we make about the SCR that we support its application; we are opposed to its use No. In particular we consider that: Loss-given default = 50% Sponsor Support is profoundly arbitrary and thus unsatisfactory in that it fails to capture the multi-dimensional nature of sponsor support and therefore risks substantially mis-stating the impact of the advice. Also, as mentioned in our responses to questions 9 and 17 (repeated at the end of this section), we believe that the interaction of this calculation with the valuation of sponsor support in the HBS (which already recognises the risk of sponsor default) needs further examination in order to ensure there is no double-counting of risk. Given the arbitrary assumptions about the loss given default, and the highly subjective nature of the probability of default, the complexity of the calculation of the counter-party default risk could be regarded as spurious. Response to question 9 In terms of the best estimate of technical provisions, we think this should depend on the extent of (and evidence for) the contractual agreement between IORPs and their members regarding the circumstances in which benefits might be reduced. In general, where benefit reductions in the case of sponsor default only occur as a practical reality then we see no justification for making an allowance for such reductions in the	

			best estimate calculation. On the contrary, one of the purposes of the solvency regime is to minimise the circumstances in which benefits need to be cut back due to default of the sponsor and this would be frustrated if the technical provisions made allowance for benefit reductions in the event of sponsor default. Having said this, we believe that there is a strong case for removing the requirement for additional capital in respect of sponsor support in the counter-party default risk module where benefit reductions are possible in the event of sponsor default, or where there is a pension protection scheme in place. We also believe that the capital requirement in respect of sponsor support in the counter-party default risk module needs to be re-examined as we are concerned that there could be an element of double-counting. Response to question 17 As mentioned in our general comments at outset (and repeated at the end of this section), we consider calculating the SCR to have no benefit (and significant cost) for the vast majority of UK IORPs. The remainder of our comments, therefore, are on technical aspects. They are, in no way, intended to intimate that we consider calculation of an SCR to be appropriate. If an SCR calculation is to be required, we consider that it might be appropriate to include an additional shock relating to inflation risk (although, within the UK, many IORPs' exposure to inflation risks are 'capped') In our response to question 9, we highlighted the need to re-examine the impact of the counterparty default risk module in relation to sponsor support. This is to ensure there is no	

			'double counting' of risks, taking into account the way in which sponsor support is valued in the HBS. As suggested in our response to question 6, we question whether there should be an explicit Risk Margin or whether it should be incorporated within the SCR. If the option is chosen of a Risk Margin based on explicit provision for adverse deviation, then the existence of this margin should be taken into account when determining the stresses within the SCR. We do not believe that the pension revision risk sub-module is generally appropriate for UK IORPs. Comments on (non) relevance of the SCR to UK IORPs We cite the SCR as a particular example of an area of the proposals that does not recognise the current situation of UK IORPs. The majority of UK IORPs are 'closed' to new entrants and 'on a journey' to settlement – through the final discharge of their remaining liabilities by buying out with one or more insurers. Unlike insurance companies, UK IORPs do not exist to transact business for profit. As soon as they reach the level of funding at which they could pass their liabilities to the insurance market, they will do so. Sponsors are, in general, funding the shortfalls in their pension plans as quickly as they can reasonably afford. We question, therefore, whether the SCR has more than a theoretical relevance and therefore whether producing the figures required to construct it would be cost-effective.	
120.	Universities Superannuation Scheme Limited	Q21.	Do stakeholders believe that the treatment of sponsor default risk in the counterparty default risk module of the SCR calculation (Section	Noted.

			3.6) is appropriate? If not, what improvements would stakeholders suggest?	
121.	Zusatzversorgungskasse des Baugewerbes AG	Q21.	No, ZVK-Bau does not believe that the treatment of sponsor default risk in the counterparty default risk module of the SCR calculation is appropriate. As mentioned above the model provided by EIOPA does not seem fit to assess the economic value of sponsor support for the beneficiaries. As mentioned above too, 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. 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. Therefore EIOPA should leave room for modeling the functionality of the legal framework of IORPs.	Noted.

122.	OPSG	Q22.	The benefit option risk is not relevant for all the Member States. The OPSG understands that this module is intended to assess the capital required where members of the IORP can select options which could increase the level of technical provisions required. This includes early or late retirement, commuting pension for cash or transferring out a cash sum to another IORP or insurance policy on leaving the employment to which the IORP relates. These options would normally be exercised on terms which are fixed in advance or terms decided at the time. It is appropriate to require solvency capital in the first instance if the fixed terms would cause a strain, as the technical provisions would increase if the number exercising the option exceeds the best estimate built into the cash flows, or a surplus, in which case the technical provisions would increase if the number exercising the option is lower than the best estimate. The OPSG presumes that the SCR is to be determined in the same way as for insurance company lapses which we consider may not be appropriate. In the second case, the terms would normally be determined with a view to ensuring that the IORP did not suffer a strain (or the member gain a benefit) by exercising the option. In this case, it would seem unnecessary to require any SCR for this risk.	Noted.
123.	aba Arbeitsgemeinschaft für betriebliche Altersver	Q22.	No. Benefit options, where they exist, are usually calibrated so that they do not cause a strain on the fund. Therefore, the risk is immaterial and can be ignored in the QIS. Lapse risk is an insurance concept and not relevant for IORPs. It	Noted.

			should be noted that upon a member's termination of service, his/her accrued entitlements often remain in the scheme. The present value of the termination benefit in most instances is equal to the actuarial reserve so that there is no strain on the fund. The same is true for transfers to another scheme.	
124.	AEIP – The European Association of Paritarian Inst	Q22.	No, AEIP does not believe that the calculation of SCR in the benefit option risk sub-module is adequate for IORPs as this is likely not to materialize and should be ignored at this stage.	Noted.
125.	Aon Hewitt	Q22.	It is not entirely clear what risks are supposed to be included in the Benefits Options module. What about the risk of conversion terms changing in the future; what about the risk of adverse demographic experience e.g. turnover, early retirement. Given the insurance-focused nature of the wording, it is not easy to work out what risks EIOPA want to have captured in this module? What about salary increases being higher than expected? What about pension increases being higher than expected? What about members having a greater number of beneficiaries than expected (so greater levels of benefits payable upon death). In general, there is a danger of the approach adopted being disproportionate for IORPs as many of the benefit options are broadly cost-neutral.	Noted, will be further developed at a later stage.
126.	Association of British Insurers	Q22.	As outlined in Q16 it is difficult to comment on the adequacy of the calculation of the MCR and SCR without understanding the regulatory actions that would be triggered if these capital levels were breached.	Noted.

127.	Association of Consulting Actuaries UK	Q22.	This calculation looks overly complicated, the text appears to have been drafted for insurance companies and does not take into account pension schemes' specific features. It is therefore difficult to follow and inappropriate in places. For example, the description of: "the surrender of 40% of all pension contracts…" as a "mass lapse event" does not make sense in the context of many IORPs. In a number of countries, benefit options for members include age at which to take early or late retirement, whether to transfer liabilities out of the scheme before retirement or whether to commute cash or 'reshape' future pension increases at retirement. These options are priced differently in different schemes (sometimes they are priced on cost neutral terms, sometimes on terms which are less generous to members). They are also funded for differently in different schemes (for some schemes, an explicit assumption is made as to what proportion of members will take up these options in the technical provisions and for some schemes benefit options, which are beneficial for the sponsor, are not taken into account when calculating the technical provisions). Overall the benefit option risk is likely to be most heavily influenced by regulatory risk (eg a change in the tax treatment	Noted.

			of lump sums on retirement). This is incapable of modeling and invalidates the detailed treatment of this risk within the QIS.	
128.	Barnett Waddingham LLP	Q22.	This module appears to cover simply the option to leave an IORP or opt back in. In the UK, more valuable or frequently-used options are to retire at a different date, or exchange pension for a lump sum or different form of pension.	Noted.
129.	BASF SE	Q22.	Do stakeholders believe that the calculation of SCR in the Benefit option risk sub-module (Section 3.7) is adequate for IORPs? These risks are either non-existent or immaterial for IORPs.	Noted. Excluding a particular risk (sub-)module in the SCR calculation in case it is not material will be considered a simplification in the QIS.
130.	Bayer AG	Q22.	No, see previous answers.	Noted.
131.	Belgian Association of Pension Institutions (BVPI-	Q22.	No. We do strongly disagree to the principle of the calculation of the SCR. It is too complex and too burdensome for the small Belgian IORPs. Furthermore a lot of calculations are imposed although in the Belgian context those risks are not born by the IORP. Complex SCR calculations while loss absorbing capacities will mostly neutralize them. The costs to make all these type of calculation are not in proportion to size of the Belgian IORPs. This part seems to be a copy paste of Solvency II and does not take into account the specificities of an IORP. More simplifications are needed.	Noted.

			We believe that – especially for the purpose of this QIS – the benefit option risk should not be included in the calculation of the SCR as it is not likely to be material, while it takes a lot of time and effort to determine the benefit option SCR. The main aim of this QIS is to answer the question if a Holistic Balance Sheet will be appropriate as supervisory tool. For achieving this goal, calculation of the benefit option SCR will be supervacaneous.	
132.	BTPS Management Ltd	Q22.	We do not believe that this calculation is relevant to us and so make no comment.	Noted.
133.	Deloitte Total Reward and Benefits Limited (UK)	Q22.	Benefit options and their take-up are likely to be significantly affected by external factors specific to individual Member States e.g. tax rates. A prescriptive, EU-wide approach to the stressing on these items is therefore likely to be inappropriate.	Noted.
134.	Dexia Asset Management	Q22.	Q22. Do stakeholders believe that the calculation of SCR in the Benefit option risk Sub-module (Section 3.7) is adequate for IORPs? SCR for benefit option risk module is not adequate for IORPs because: 1. It is unlikely to be material for many IORPs 2. Pension schemes members do not play against their	Noted.

			IORP: Surrender would in general imply for the member to change job.	
135.	European Federation for Retirement Provision (EFRP	Q22.	Q22. Do stakeholders believe that the calculation of SCR in the Benefit option risk sub_module (Section 3.7) is adequate for IORPs? The EFRP believes that – especially for the purpose of this QIS – the benefit option risk should not be included in the calculation of the SCR, since it is not likely to be material in most of the Member States. The parameters laid down in this module are inappropriate for IORPs. In particular, a "mass lapse event" would be extremely unlikely to occur in practice and would almost be equivalent to a wind-up situation. It should be remembered that upon termination, members' accrued entitlements often remain in the scheme. The present value of the termination benefit in most instances is equal to the actuarial reserve so that there is no strain on the fund. The same is true for transfers to another scheme.	Noted. Excluding a particular risk (sub-)module in the SCR calculation in case it is not material will be considered a simplification in the QIS.
136.	Federation of the Dutch Pension Funds	Q22.	We believe that – especially for the purpose of this QIS – the benefit option risk should not be included in the calculation of the SCR as it is not likely to be material, while it requires a lot of time and effort to determine the benefit option SCR. The	Noted. Excluding a particular risk (sub-)module in the SCR calculation in

			main aim of this QIS is to answer the question whether a Holistic Balance Sheet will be appropriate as supervisory tool. For achieving this goal, calculation of the benefit option SCR will be superfluous.	case it is not material will be considered a simplification in the QIS.
137.	Financial Reporting Council – staff response	Q22.	The sub-module is based on Solvency II and does not reflect the potential option take-up in IORPs.	Noted.
138.	German Institute of Pension Actuaries	Q22.	The Benefit option risk sub-module has the same content as the lapse risk module for life insurers. The given approach is extremely hard to handle in particular for smaller IORPs. We expect that the costs will be not appropriate and this circumstance will reduce the number of participants so that the information value is questionable.	Noted.
139.	Groupe Consultatif Actuariel Européen	Q22.	Do stakeholders believe that the calculation of SCR in the Benefit option risk sub-module (Section 3.7) is adequate for IORPs? We believe that IORPs should only be required to complete these sub-modules where there is reason to believe they have material exposures to the risks being measured in the given sub-module. Where IORP members exercise options such as early or late retirement, commuting pension for cash or transferring out a cash sum to another IORP (or insurance policy) on leaving employment this could – but need not - increase the level of technical provisions and hence the solvency capital required.	Noted.

			Member options such as those described above would normally be exercised on terms which are either fixed in advance or terms decided at the time. Where the terms have been pre-set and there would be a strain if the number exercising the option exceeds the best estimate built into the cash flows, or a surplus is expected unless the number exercising the option is lower than the best estimate, then solvency capital seems reasonable. However, where terms have not been set in advance, these are normally determined with a view to ensuring that the IORP does not suffer a strain (or the member gain a benefit) by exercising the option. In those circumstances, it would seem unnecessary to require any SCR for this risk.	
140.	Hundred Group of Finance Directors	Q22.	Do stakeholders believe that the calculation of SCR in the Benefit option risk sub-module (Section 3.7) is adequate for IORPs? No comment.	Noted.
141.	IBM Deutschland Pensionsfonds AG	Q22.	No. Benefit options, where they exist, are usually calibrated so that they do not cause a strain on the fund. Therefore, the risk is immaterial and can be ignored in the QIS.	Noted. Excluding a particular risk (sub-)module in the SCR calculation in case it is not material

			Lapse risk is an insurance concept and not relevant for IORPs. It should be noted that upon a member's termination of service, his/her accrued entitlements often remain in the scheme. The present value of the termination benefit in most instances is equal to the actuarial reserve so that there is no strain on the fund. The same is true for transfers to another scheme.	will be considered a simplification in the QIS.
142.	Institute and Faculty of Actuaries	Q22.	Do stakeholders believe that the calculation of SCR in the Benefit option risk sub-module (Section 3.7) is adequate for IORPs? We find SCR 7.46 unhelpful: it would be better to use the term "option" rather than the term "lapse", which is not naturally associated with typical options that would need to be considered by UK IORPs such as commutation and early retirement, which are the most notable omissions from the perspective of UK IORPs and which would not normally be associated with the word "lapse". We note that the benefits option module (or 'lapse rate') is calibrated on insurance data and does not reflect actual/potential benefit option take-up within the IORP. The member-by-member approach is very onerous and whilst the simplification (of a homogeneous risk group) appears attractive, we are unclear as to how to prove that the results will not be materially different from the member-by-member basis without doing those member-by-member calculations anyway.	Noted.
143.	Insurance Europe	Q22.	It should be tested in the QIS. The outcome of the QIS should be carefully taken into account by EIOPA regarding the final	Noted.

			advice	
144.	KPMG LLP (UK)	Q22.	In the UK, it may be difficult for IORPS to assess what constitutes an option. For example, with conversion of pension to cash, does the option relate to the choice of conversion itself or the amount of pension given up? In many cases the option behaviours may be positively or negatively correlated with the shock event occurring. Overall, this will be difficult to assess in any meaningful way at a national level.	Noted.
145.	Mercer Ltd	Q22.	Do stakeholders believe that the calculation of SCR in the Benefit option risk sub-module (Section 3.7) is adequate for IORPs? As mentioned in our answer to question 20, we think it unlikely that a valuation method derived using insurance company statistics and to apply to the insurance industry is likely to be appropriate for IORPs. Rates at which options are exercised will vary considerably between schemes, and between IORPs, and this one size fits all approach could prove misleading. In addition, requiring the calculation to be carried out on a member by member basis seems unduly onerous.	Noted.
146.	National Association of Pension Funds (NAPF)	Q22.	Do stakeholders believe that the calculation of SCR in the Benefit option risk sub-module (Section 3.7) is adequate for IORPs?	Noted.

			The benefit option risk sub-module (or 'lapse rate') is calibrated on insurance data and does not reflect actual/potential benefit option take-up within the IORP.	
147.	Punter Southall	Q22.	Do stakeholders believe that the calculation of SCR in the Benefit option risk sub-module (Section 3.7) is adequate for IORPs? No comment.	Noted.
148.	Railways Pension Trustee Company Limited (RPTCL)	Q22.	For the reasons noted in Q16 and Q17, RPTCL does not consider the inclusion of the SCR to be appropriate . We have no additional comments to make on this question.	Noted.
149.	Towers Watson B.V.	Q22.	Do stakeholders believe that the calculation of SCR in the Benefit option risk sub-module (Section 3.7) is adequate for IORPs? We suggest that it would be beneficial if this sub-module were re-drafted so that it is directly applicable to the benefit option risks of IORPs.	Noted.
150.	Towers Watson GmbH, Germany	Q22.	We suggest that it would be beneficial if this sub-module were	Noted.

			re-drafted so that it is directly applicable to the benefit option risks of IORPs.	
151.	Towers Watson UK	Q22.	Do stakeholders believe that the calculation of SCR in the Benefit option risk sub-module (Section 3.7) is adequate for IORPs? It should not be inferred from the technical points that we make about the SCR that we support its application; we are opposed to its use From our experience of working on Solvency II, we note that the benefit option risk sub-module (or 'lapse rate') is calibrated on insurance data and does not reflect actual/potential benefit option take-up within the IORP. We also consider that the member-by-member approach is very onerous and whilst the simplification (of a homogeneous risk group) appears attractive, we are unclear as to how to prove that the results will not be materially different from the member-by-member basis without doing those calculations anyway. As implied in our response to question 20 (repeated below), we believe it would be beneficial if this sub-module were re-drafted so that it is directly applicable to the benefit option risks of IORPs. Response to question 20 We believe that the mortality and longevity sub-modules could be combined for IORPs. At the very least, IORPs should only be required to apply the sub-module that produces the larger	Noted.

			capital requirement, which will normally be the longevity sub-module. The proposed simplification for the longevity risk calculation in SCR 7.33 does not appear to be an accurate reflection of the change in liability due to a longevity shock. We would suggest a suitable alternative would be to use model point annuity factors. In our view, the application of the benefit option risk sub-module needs to be clarified for IORPs. In particular, it is not clear how benefit options such as commutation of pension for a cash sum at retirement or early-retirement take-up rates are to be taken into account. The lack of clarity arises because the wording used has been drafted in an insurance, rather than an IORP, context.	
152.	Universities Superannuation Scheme Limited	Q22.	Do stakeholders believe that the calculation of SCR in the Benefit option risk sub-module (Section 3.7) is adequate for IORPs?	Noted.
153.	Zusatzversorgungskasse des Baugewerbes AG	Q22.	No, ZVK-Bau does not believe that the calculation of SCR in the benefit option risk sub-module is necessary as it will have no greater impact on IORPs.	Noted. Excluding a particular risk (sub-)module in the SCR calculation in case it is not material will be considered a simplification in the QIS.

154.	OPSG	Q23.	The descriptions of financial and insurance risk mitigation are not sufficiently clear and understandable for IORPs. For smaller IORPs these items will be not relevant.	Noted.
155.	aba Arbeitsgemeinschaft für betriebliche Altersver	Q23.	No. These sections will not be understandable for smaller IORPs who will be deterred from participating in the QIS. The instruments outlined in this section may reduce risk as defined in the draft technical specifications, however, they do not necessarily reduce the liability of IORPs with respect to their members. In particular, schemes which offer profit participation are legally required to calculate these profits according to historical cost accounting standards. Financial instruments designed to hedge intertemporal changes in asset prices do not alter the benefit that is promised to the employee and, therefore, do not contribute to risk mitigation in a real sense.	Noted.
156.	AEIP – The European Association of Paritarian Inst	Q23.	No, AEIP does not believe that the descriptions of financial and insurance risk mitigation are sufficiently clear, adequate and understandable for IORPs.	Noted.
158.	Aon Hewitt	Q23.	The descriptions appear clear and understandable. In practice, the complexity of the underlying calculations will depend on the nature of any financial and insurance mitigation in place for a given IORP. We have yet to carry out detailed calculations in this area so cannot comment on whether they are appropriate. However, given that insurers have carried out similar calculations for Solvency II purposes under QIS5, we hope that	Noted.

			the calculation requirements specified for IORPs take account of feedback from the insurance sector. It would be useful to EIOPA to comment on whether this is the case.	
159.	Association of British Insurers	Q23.	As outlined in Q16 it is difficult to comment on the adequacy of the calculation of the MCR and SCR without understanding the regulatory actions that would be triggered if these capital levels were breached.	Noted.
160.	Barnett Waddingham LLP	Q23.	EIOPA should note that it may be difficult for IORPs to meet some of the conditions in these sections and Annex 4 in relation to historic policies, for example pre-1997 contracts of insurance in the UK, and should permit flexibility.	Noted.
161.	BASF SE	Q23.	Do stakeholders believe that the descriptions of financial and insurance risk mitigation (Section 3.9 and 3.10) are sufficiently clear and understandable to enable participants in the QIS to perform the necessary calculations? No. Besides our concerns regarding the basic approach underlying the holistic balance sheet approach, we think that the criteria and the descriptions of financial and insurance risk mitigation are not sufficiently clear and understandable for IORPs.	Noted.
162.	Bayerischer Industrieverband Steine und Erden e.V.	Q23.	The instruments outlined in this section may reduce risk as defined in this QIS, however, they do not necessarily reduce the liability of IORPs which are the benefits that must be paid to members. In particular, schemes which offer profit participation are legally required to calculate these profits according to historical cost accounting standards. Financial instruments designed to hedge intertemporal changes in asset prices do not alter the benefit that is promised to the employee and,	Noted.

			therefore, do not contribute to risk mitigation in a real sense.	
163.	BDA Bundesvereinigung der Deutschen Arbeitgeberver	Q23.	The instruments outlined in this section may reduce risk as defined in this QIS, however, they do not necessarily reduce the liability of IORPs which are the benefits that must be paid to members. In particular, schemes which offer profit participation are legally required to calculate these profits according to historical cost accounting standards. Financial instruments designed to hedge intertemporal changes in asset prices do not alter the benefit that is promised to the employee and, therefore, do not contribute to risk mitigation in a real sense.	Noted.
164.	BdS – Bundesverband der Systemgastronomie e.V.	Q23.	The instruments outlined in this section may reduce risk as defined in this QIS, however, they do not necessarily reduce the liability of IORPs which are the benefits that must be paid to members. In particular, schemes which offer profit participation are legally required to calculate these profits according to historical cost accounting standards. Financial instruments designed to hedge intertemporal changes in asset prices do not alter the benefit that is promised to the employee and, therefore, do not contribute to risk mitigation in a real sense.	Noted.
165.	Belgian Association of Pension Institutions (BVPI-	Q23.	No. Too complex and more guidance is needed.	Noted.

			The first part estimates the impact of the use of derivatives to redesign financial risk. Basis risk: assessment is very vague. The risk in using derivatives is purely based on credit ratings of counterparties. Conditions are vague (e.g. liquidation in a "timely" manner ??) which is in line with the specific complex behavior of derivatives, thus not captured. Furthermore, dynamic strategies are not in scope, although proven techniques, exactly to reduce liquidation risks etc. when using derivatives. We detect a failure of practical knowledge of the use of derivatives. Collateral: not in line with practice. Example: due to specifics, collateral is often managed by collateral agents who represent as attorney the pension funds. In this case, the pension fund does not obtain the right to seize collateral directly. The second part tackles insurance risk mitigation. Again, basic risk is covered very vaguely, and credit ratings are blindly used to cover for counterparty risk. This chapter is not sufficiently analysed. It seems strange that if investments or risk mitigation techniques involve insurance undertakings or banks, the same capital requirements are required for risks already taking into account at the counterparty side as for them also Solvency II and Basel III applies.	
166.	BTPS Management Ltd	Q23.	We do not believe that this calculation is relevant to us and so	Noted.

			make no comment.	
167.	Dexia Asset Management	Q23.	Q23. Do stakeholders believe that the descriptions of financial and insurance risk mitigation (Section 3.9 and 3.10) are sufficiently clear and understandable to enable participants in the QIS to perform the necessary calculations? We do not think financial and insurance risk mitigation is adapted to the IORP environment. The calculations are too complex. We also regret that dynamic hedging, risk management and portfolio protection techniques are not taken into account to reduce capital requirement.	Noted.
168.	European Federation for Retirement Provision (EFRP	Q23.	Q23. Do stakeholders believe that the descriptions of financial and insurance risk mitigation (Section 3.9 and 3.10) are sufficiently clear and understandable to enable participants in the QIS to perform the necessary calculations? The EFRP does not think that the criteria and the descriptions of financial and insurance risk mitigation are sufficiently clear and understandable for IORPs. More guidance on how the different risk mitigating instruments will influence the SCR (numerical examples) would be helpful for IORPs. Furthermore, especially the paragraph on rolling and dynamic hedging needs more attention. The definitions of when an IORP is allowed to use a rolling hedge program as full risk mitigation technique could	Noted.

			benefit from further explanations. For example, it is not stated how IORPs could judge the risk that the hedge cannot be rolled over due to an absence of liquidity in the markets; how IORPs the costs of renewing the same hedge should calculate and how the additional counterparty risk that arises from rolling over the hedge should be determined. The instruments outlined in Section 3.9 and 3.10 may reduce risk as defined in the proposed "QIS accounting world", but these instruments do not necessarily reduce the liabilities of IORPs (the benefits IORPs have to pay to their members). In particular, in some Member States schemes offering profit participation are legally required to calculate these profits according to historical cost accounting standards. Financial instruments designed to hedge intertemporal changes in asset prices do not alter the benefit that is promised to the employee.	
169.	Federation of the Dutch Pension Funds	Q23.	We do not think that the criteria and the descriptions of financial and insurance risk mitigation are sufficiently clear and understandable for IORPs. More guidance on how the different risk mitigating instruments will influence the SCR (numerical examples) would be helpful for IORPs. Furthermore, especially the paragraph on rolling and dynamic hedging needs more attention. The definitions relating to when an IORP is allowed to use a rolling hedge program as full risk mitigation technique could be further explained. For example it has not been not determined how IORPs should (i) judge the risk that the hedge cannot be rolled over due to an absence of liquidity in the markets, (ii) how to calculate the costs of renewing the same hedge and (iii) how determine how the additional counterparty risk which arises from rolling over the hedge.	Noted.

170.	Financial Reporting Council – staff response	Q23.	We are unable to comment as we have not considered the descriptions in any depth.	Noted.
171.	German Institute of Pension Actuaries	Q23.	It is complex and thus expensive to include all these risk mitigating effects into a cash flow projection. The given approach is extremely hard to handle in particular for smaller IORPs. We expect that the costs will be not appropriate and this circumstance will reduce the number of participants so that the information value is questionable.	Noted.
172.	GESAMTMETALL - Federation of German employer	Q23.	The instruments outlined in this section may reduce risk as defined in this QIS, however, they do not necessarily reduce the liability of IORPs which are the benefits that must be paid to members. In particular, schemes which offer profit participation are legally required to calculate these profits according to historical cost accounting standards. Financial instruments designed to hedge intertemporal changes in asset prices do not alter the benefit that is promised to the employee and, therefore, do not contribute to risk mitigation in a real sense.	Noted.
173.	Groupe Consultatif Actuariel Européen	Q23.	Do stakeholders believe that the descriptions of financial and insurance risk mitigation (Section 3.9 and 3.10) are sufficiently clear and understandable to enable participants in the QIS to perform the necessary calculations? The descriptions of financial and insurance risk mitigation need clarification if they are to be readily understood by IORPs. However, for smaller IORPs they are unlikely to be relevant, anyway.	Noted.

174.	Hundred Group of Finance Directors	Q23.	Do stakeholders believe that the descriptions of financial and insurance risk mitigation (Section 3.9 and 3.10) are sufficiently clear and understandable to enable participants in the QIS to perform the necessary calculations? No comment.	Noted.
175.	IBM Deutschland Pensionsfonds AG	Q23.	No. These sections will not be understandable for smaller IORPs who will be deterred from participating in the QIS. The instruments outlined in this section may reduce risk as defined in this QIS; however, they do not necessarily reduce the liability of IORPs which are the benefits that must be paid to members. In particular, schemes which offer profit participation are legally required to calculate these profits according to historical cost accounting standards. Financial instruments designed to hedge inter-temporal changes in asset prices do not alter the benefit that is promised to the employee and, therefore, do not contribute to risk mitigation in a real sense.	Noted.
176.	Institute and Faculty of Actuaries	Q23.	Do stakeholders believe that the descriptions of financial and insurance risk mitigation (Section 3.9 and 3.10) are sufficiently clear and understandable to enable participants in the QIS to perform the necessary calculations? Our experience with implementing Solvency II leads us to conclude that the 'basis risk' requirements are very onerous. We also consider that the consultation document fails to recognise dynamic hedging as a valid risk management	Noted.

			technique. Again this is an area that bears longer consideration and scrutiny than the consultation affords and we would welcome the opportunity to help EIOPA with this.	
177.	Insurance Europe	Q23.	It should be tested in the QIS. The outcome of the QIS should be carefully taken into account by EIOPA regarding the final advice	Noted.
178.	KPMG LLP (UK)	Q23.	We cannot see how the UK regulator can meaningfully assess this impact. Also, it is not clear how the risk-reducing impact of IORPs purchasing annuities is reflected, as they are not reinsurance contracts and do not appear to fit into this section either. This may result from the concept of annuity purchase making little sense within insurance Solvency II assessments, from which the QIS has clearly been drawn. This is an important point, as £billions of liabilities from UK IORPs have been, and are continuing to be, invested in this way.	Noted.
179.	Mercer Ltd	Q23.	Do stakeholders believe that the descriptions of financial and insurance risk mitigation (Section 3.9 and 3.10) are sufficiently clear and understandable to enable participants in the QIS to perform the necessary calculations? Although the principles for valuating the solvency capital required to be held due to financial risk mitigation products are clear, we expect that implementing them will not be simple (and this has been the experience in the insurance industry).	Noted.

			Once again, it is clear that the principles in QIS5 have been copied across to IORPs without any consideration as to their relevance. In section 3.9 there are at least two requirements that do not seem to copy over so well: ☐ the restriction on the use of rolling and/or dynamic hedging. IORPs' liabilities alter from year to year as experience differs from that expected, so it is impossible to have a single opportunity to find assets to hedge liabilities. Frequently, hedging strategies will be regularly reviewed to ensure they continue to meet their objectives. ☐ There is prohibition on recognizing counterparties with credit ratings lower than BBB. But, if the sponsoring employer has a weaker credit rating than the counterparty, this could result in a lower risk position for the IORP.	
180.	National Association of Pension Funds (NAPF)	Q23.	Do stakeholders believe that the descriptions of financial and insurance risk mitigation (Section 3.9 and 3.10) are sufficiently clear and understandable to enable participants in the QIS to perform the necessary calculations? This area needs greater consideration and scrutiny than the consultation affords.	Noted.
181.	Punter Southall	Q23.	Do stakeholders believe that the descriptions of financial and insurance risk mitigation (Section 3.9 and 3.10) are sufficiently clear and understandable to enable participants in the QIS to	Noted.

			perform the necessary calculations? No comment.	
182.	Railways Pension Trustee Company Limited (RPTCL)	Q23.	For the reasons noted in Q16 and Q17, RPTCL does not consider the inclusion of the SCR to be appropriate . We have no additional comments to make on this question.	Noted.
185.	Towers Watson B.V.	Q23.	Do stakeholders believe that the descriptions of financial and insurance risk mitigation (Section 3.9 and 3.10) are sufficiently clear and understandable to enable participants in the QIS to perform the necessary calculations? Our experience with implementing Solvency II leads us to conclude that the 'basis risk' requirements are onerous. We also consider that the consultation document fails to recognise dynamic hedging as a valid risk management technique.	Noted.
186.	Towers Watson GmbH, Germany	Q23.	Our experience with implementing Solvency II leads us to conclude that the 'basis risk' requirements are onerous. We also consider that the consultation document fails to recognise dynamic hedging as a valid risk management technique.	Noted.
187.	Towers Watson UK	Q23.	Do stakeholders believe that the descriptions of financial and insurance risk mitigation (Section 3.9 and 3.10) are sufficiently	Noted.

			clear and understandable to enable participants in the QIS to perform the necessary calculations? It should not be inferred from the technical points that we make about the SCR that we support its application; we are opposed to its use Our experience with implementing Solvency II leads us to conclude that the 'basis risk' requirements are very onerous. We also consider that the consultation document fails to recognise dynamic hedging as a valid risk management technique. Again this is an area that bears longer consideration and scrutiny than the consultation affords.	
188.	Universities Superannuation Scheme Limited	Q23.	Do stakeholders believe that the descriptions of financial and insurance risk mitigation (Section 3.9 and 3.10) are sufficiently clear and understandable to enable participants in the QIS to perform the necessary calculations?	Noted.
189.	UVB Vereinigung der Unternehmensverbände in Berlin	Q23.	The instruments outlined in this section may reduce risk as defined in this QIS, however, they do not necessarily reduce the liability of IORPs which are the benefits that must be paid to members. In particular, schemes which offer profit participation are legally required to calculate these profits according to historical cost accounting standards. Financial instruments designed to hedge intertemporal changes in asset prices do not alter the benefit that is promised to the employee and, therefore, do not contribute to risk mitigation in a real sense.	Noted.

190.	vbw – Vereinigung der Bayerischen Wirtschaft e. V.	Q23.	The instruments outlined in this section may reduce risk as defined in this QIS, however, they do not necessarily reduce the liability of IORPs which are the benefits that must be paid to members. In particular, schemes which offer profit participation are legally required to calculate these profits according to historical cost accounting standards. Financial instruments designed to hedge intertemporal changes in asset prices do not alter the benefit that is promised to the employee and, therefore, do not contribute to risk mitigation in a real sense.	Noted.
191.	Vereinigung der hessischen Unternehmerverbände (Vh	Q23.	The instruments outlined in this section may reduce risk as defined in this QIS, however, they do not necessarily reduce the liability of IORPs which are the benefits that must be paid to members. In particular, schemes which offer profit participation are legally required to calculate these profits according to historical cost accounting standards. Financial instruments designed to hedge intertemporal changes in asset prices do not alter the benefit that is promised to the employee and, therefore, do not contribute to risk mitigation in a real sense.	Noted.
192.	Zusatzversorgungskasse des Baugewerbes AG	Q23.	No, from ZVK-Bau's point of view the concept of taking financial and insurance risk mitigation into account are unnecessary because we neither use financial nor insurance risk mitigation in a way that would influence the overall results of the QIS significantly.	Noted.