	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 **I + PRO**	**EIOPA-BOS-12/086** **2 October 2012**

EIOPA would like to thank Academic Community Group; Aon Hewitt; Association of British Insurers; Barnett Waddingham LLP; BVPI-ABIP; British Airways Pension Investment Management; European Private Equity & Venture Capital Association; Financial Reporting Council; Groupe Consultatif Actuariel Européen; Institute and Faculty of Actuaries; Insurance Europe; Railways Pension Trustee Company Limited (RPTCL); RWE Pensionsfonds AG; Towers Watson B.V.; and Towers Watson UK.

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

No.	Name	Reference	Comment	Resolution
1.	Barnett Waddingham LLP	I.1.1.	We believe a certain level of national guidance will be required in order for IORPs to fulfil their duties under such a regime.	Agreed.
2.	Financial Reporting Council – staff response	I.1.1.	The complexity of the QIS suggests that the diverse nature of IORP provision across the EU means that the Commission's objective to attain "a level of harmonisation where EU legislation does not need additional requirements at national level" is disproportionate. IORP provision reflects national social security and fiscal rules neither of which is required to be harmonised across the EU.	Noted.

3.	Institute and Faculty of Actuaries	I.1.1.	No comment	
4.	Railways Pension Trustee Company Limited (RPTCL)	I.1.1.	RPTCL does not have any additional comments to make on individual paragraphs within the consultation document.	
6.	Association of British Insurers	I.1.2.	The extent of cross border needs for IORPS is extremely limited and should not therefore be a major factor in assessing the proposed legislation	Noted.
7.	Financial Reporting Council – staff response	I.1.2.	We do not consider that the Commission has provided the evidence that it is necessary to encourage cross-border IORPS to support the single market nor that it is necessary to ensure regulatory consistency between sectors. We agree that IORPs should benefit from risk based supervision. However, we are yet to be convinced that the proposal to use Solvency II as a basis for supervisory decisions is proportionate. We note that the QIS is ignoring the question of what supervisory actions might be taken given the information that IORPs are required to provide. We also agree that prudential regulation of IORP's operating DC schemes should be fit for purpose. However, this is not addressed by the QIS.	Noted.

8.	Institute and Faculty of Actuaries	I.1.2.	No comment	
9.	Aon Hewitt	I.1.3.	We note that not even the next stage of the process (the QIS) will assess the impact of the advice on scope and definitions, role of the supervisor, governance and disclosure to plan members. It is almost impossible to comment sensibly on the methodology without knowing how the proposed approach might ultimately be used.	Noted. Commission will perform comprehensive impact assessment
10.	Institute and Faculty of Actuaries	I.1.3.	No comment	
11.	Institute and Faculty of Actuaries	I.1.4.	We are concerned that if the proposals are in the form implied by this technical specification, the risk of undermining the supply and, in particular, the cost-efficiency of occupational retirement provision within the EU would be very high.	Noted.
12.	Financial Reporting Council – staff response	I.1.5.	We agree that the QIS as designed will provide information on the quantative impact of applying the Solvency II regime to IORPs. However, we consider that the complexity of the proposed regime will mean that essential granular information will be lost as only a high-level analysis will be practicable. We also consider that the QIS does not really address the second aim. The cost of meeting the proposed requirements is not addressed neither is the actions that the supervisory authorities will take on receiving the	Noted. Aggregation does not preclude identifying certain categories Commission will conduct comprehensive impact assessment Qualitative questionnaire will address practicability of calculations

			information. Evidence might also be collected on the impact on IORPs and occupational pension provision should such proposals be introduced as well as the wider economic impacts. We consider that EIOPA and the EC would benefit from using the QIS to identify the practical implications of introducing the proposed changes to the IORP Directive.	
13.	Institute and Faculty of Actuaries	I.1.5.	We have a concern that the technical specification will not achieve the first objective. Our members have found that the results of the calculations can be very sensitive to some inputs and parameters. This non-linearity means that the impact of potential proposals can only be properly understood with more extensive sensitivity analyses than evisaged by this technical specification. We strongly recommend that EIOPA collate the data at a high level of granularity so that it is possible to examine the potential effect by country, by region, by industry etc. and to analyse the effect of varying the key parameters.	Noted. IORPs will be asked to assess uncertainty of outcomes Aggregation does not preclude identifying certain categories
14.	Institute and Faculty of Actuaries	I.2.1.	No comment	
15.	Institute and Faculty of Actuaries	I.2.2.	As noted elsewhere, we are not persuaded that the technical specifications are entirely market-consistent. We continue to question the validity of a uniform confidence level for Pillar 2 pension provision when there are such large variations between Member States in Pillar 1 provision.	Noted. Aim of QIS is to investigate uniform confidence level

16.	Academic Community Group ☐ Prof. David Blake (Cit	I.2.3.	We support this point of view.	Noted.
17.	Belgian Association of Pension Institutions (BVPI-	I.2.3.	Occupational pensions and insurances are not identical and sometimes merit different approaches. However, if occupational pensions in IORPs will be covered by a separate directive which is not applicable to occupational pensions administered by insurance companies, this will lead to discrepancies. In occupational pensions, also the sponsor is involved as a party, regardless the fact whether the plan is administered by an IORP or an insurance company.	Noted.
18.	Institute and Faculty of Actuaries	I.2.3.	No comment	
19.	Insurance Europe	I.2.3.	Insurance Europe wants to stress that in some member states, occupational pensions are also often provided by insurance undertakings. It should be reminded here that occupational pensions are the benefits provided by a pension scheme, and that insurance companies and pension funds, including IORPs, are the providers of these schemes. Therefore, it makes no sense to emphasise that occupational pensions and insurance companies are not identical. Insurance Europe therefore suggests redrafting the sentence as follows:	Noted.

			EIOPA's advice emphasises that pension funds occupational pension and insurance companies are not identical and that the economically significant differences will sometimes merit different approaches.	
20.	Institute and Faculty of Actuaries	I.2.4.	No comment	
21.	Institute and Faculty of Actuaries	I.2.5.	No comment	
22.	Towers Watson B.V.	I.2.5.	Based on our experience with insurers related to Solvency 2, we expect that only the very largest schemes will be able to provide the information requested in the QIS to the full detail.	Noted.
23.	Institute and Faculty of Actuaries	I.2.6.	As noted elsewhere, we are disappointed that EIOPA has not considered more options, particularly for the valuation of sponsor support.	Noted.
24.	Academic Community Group ☐ Prof. David Blake (Cit	I.3.1.	An adequate definition of (pure) defined contribution schemes is lacking. For instance, the proposed new Dutch real pension contract does not provide any guarantees. Logically the statement here would imply that the document does not apply for these hybrid schemes.	Noted. Number of categories have been reduced to two: pure DC and other. National supervisors will provide guidance on classification in member state specific situations
25.	Institute and Faculty of	I.3.1.	As noted elsewhere, we consider that the QIS needs to consider the impact on the ORSA. It would be unsatisfactory to design workable	Noted.

	Actuaries		quantification and capital requirements proposals only for the governance requirements to have the effect of overriding any simplifications adopted etc.	Commission will conduct comprehensive impact assessment
26.	RWE Pensionsfonds AG	I.3.1.	In Germany a 'Pensionsfonds' can provide a pensions in a non-guarantee form, i.e. the pension is paid as long as the Pensionsfonds has enough monies available. If the monies are not enough the sponsor has to pay directly. The definition under I.3.1. is unclear whether such Pensionsfonds is excluded from this QIS and from resulting future regulation.	Noted. HBS takes the approach from the perspective of the plan member
27.	Towers Watson B.V.	I.3.1.	The definition of defined contribution needs further clarification. We expect that, given the description in this article, the proposed new contract type in the Netherlands (the real contracts) should be qualified as defined contribution.	Noted. National supervisors will provide guidance on classification in member state specific situations
28.	Barnett Waddingham LLP	I.3.2.	We believe that consideration of the wider implications, including funding obligations, is essential to the continued provision of quality pensions in Europe and urge EIOPA and the European Commission to consider this further.	Noted. There is not enough information to specify supervisory responses at this stage
29.	British Airways Pension Investment Management Limi	I.3.2.	It is the basis of the numerical calculation in relation to private equity investments being adopted that is at the root of our concerns: it is based on a fundamental misunderstanding of the risks faced when investing in private equity.	Noted.
30.	European Private Equity	I.3.2.	The EVCA understands the fact that the QIS is confined to numerical calculations. It is therefore important to underline where the technical	Noted.

	& Venture Capital Associat		specifications chosen by EIOPA are inappropriate. The EVCA rejects the proposal of a holistic balance sheet when it is used for supervision. The idea of a holistic balance sheet seems to offer theoretical possibilities for taking into account the risk mitigating instruments that an IORP has, but the complexities involved make this an instrument that is unsuitable as a primary supervision tool. Besides that, it is important to realise that workplace pensions are based on social and cultural traditions and strongly linked to first pillar pension provisions in the different Member States.	EIOPA will reconsider holistic balance sheet after QIS
31.	Financial Reporting Council – staff response	I.3.2.	We consider that the EIOPA and EC need to understand the wider implications of any changes to the IORP Directive and therefore the impact study should be wider than envisaged or should be supplemented by a further study on the wider implications.	Noted. Commission will conduct wider impact study
32.	Institute and Faculty of Actuaries	I.3.2.	We agree that it is reasonable to restrict the scope of the numerical calculations; however we have a concern that by basing the calculations only on market conditions at a single date, the QIS risks misrepresenting the impact of potential proposals. We believe it is essential to consider a range of market conditions scenarios and that these scenarios should be chosen to capture possible changes to market conditions arising from the adoption of these measures.	Noted. Sensitivity analysis with regard to discount rate will be part of the QIS
33.	Institute and Faculty of Actuaries	I.4.1.	No comment	
34.	Institute and Faculty of Actuaries	I.4.2.	No comment	

35.	Insurance Europe	I.4.2.	Insurance Europe wishes to emphasise that all issues considered to be of a political nature should be addressed at level 1.	Noted.
36.	Institute and Faculty of Actuaries	I.4.3.	No comment	
37.	Insurance Europe	I.4.3.	In correspondence with the Insurance Europe remark on I.4.2, Insurance Europe believes that any area that is considered political should be solved at level 1, even if they would normally be specified in level 2 implementing measures.	Noted.
39.	Institute and Faculty of Actuaries	I.4.4.	No comment	
40.	Insurance Europe	I.4.4.	Insurance Europe believes that the adoption of simplifications should not depend on the nature of the pension system, but should be a combination of the nature, the scale and the complexity of the risks of these pension systems as EIOPA correctly indicated in the topic on proportionality (PRO.3.14)	Noted. Nature, scale, complexity is often dependent on member state
42.	Barnett Waddingham LLP	I.4.5.	We would like EIOPA to publish their analysis of why these technical specifications are considered appropriate given the differences between insurance companies and pension schemes.	Noted.
43.	European Private Equity & Venture Capital Associat	I.4.5.	The EVCA's key concern is that the potential application of the Solvency II regime to IORPS would be inappropriate and disproportionate. It could affect pension funds' investment strategies resulting in a number of negative consequences for pension funds and their members and the wider economy.	Noted. EIOPA will reconsider holistic balance sheet after the QIS Some areas of technical specifications will be

			Where the specificities of pension funds have been taken into account (i.e. not directly inspired by Solvency II) further analysis is required as these are not detailed enough in the current consultation. The EVCA has concerns about the feasibility of The Holistic Balance Sheet (HBS) as a tool for pension fund supervision, as it is based on many subjective assumptions and will be extremely costly and complex for IORPs to set up and manage. This will be to the detriment of pension plan members and not achieve its goal of making pension schemes comparable.	further developed.
44.	Financial Reporting Council – staff response	I.4.5.	We note that that the specification was developed from the Solvency II specifications. IORPs have different characteristics to insurance companies. We consider that the QIS should better reflect these differences.	Noted. HBS aims to accommodate these differences
45.	Institute and Faculty of Actuaries	I.4.5.	We note that the latest technical specifications for Solvency II have been employed. We remain concerned that Solvency II is being relied upon before it has reached a stable form. We believe in particular that the provisions relating to the matching premium need more development to be suitable for IORPs.	Noted. Matching adjustment can be tested even if IORPs do not (yet) fully comply to identify issues with regard to conditions
46.	Insurance Europe	I.4.5.	Insurance Europe understands that the draft specifications in this document have been developed by making use of the latest technical	Noted. Some recent

			specifications for Solvency II. However, in some cases the draft does not uses the latest draft implementing measures for Solvency II. I as at 31.10.2011. Additionally, given the on-going discussions on Solvency II at Council and European Parliament, Insurance Europe would suggest including the latest specifications, especially, since the changes proposed to the Solvency II framework directive might have a big impact on products offering long term guarantees, including occupational pension products. This has also been indicated in I.5.6 and HBS.8.14.	developments will be tested
47.	Academic Community Group ☐ Prof. David Blake (Cit	I.4.6.	We fully agree.	
48.	Institute and Faculty of Actuaries	I.4.6.	No comment	
49.	Institute and Faculty of Actuaries	I.4.7.	No comment	
50.	Institute and Faculty of Actuaries	I.4.8.	No comment	
51.	Insurance Europe	I.4.8.	Insurance Europe agrees with EIOPA that the value of the adjustment and security mechanisms will depend on the IORPs' actual funding level.	
52.	Institute and	I.4.9.	No comment	

	Faculty of Actuaries			
53.	Institute and Faculty of Actuaries	I.4.10.	No comment	
55.	Barnett Waddingham LLP	I.4.11.	If an inflation risk module is to be considered, appropriate allowance should be made for IORPs' investments in index-linked assets which aim to match the benefit cashflows. We note that these specifications should not be read as proposals for future measures and question the value of a QIS if this is the case.	Agreed, inflation module has been included
56.	Institute and Faculty of Actuaries	I.4.11.	As noted elsewhere in our response, we believe that an inflation risk module is essential for market consistency. Although we understand that the specifications should not be read as proposals, we have found that it is necessary to hypothecate proposals in order to reach meaningful conclusions on the validity of the technical specification. Naturally we have assumed that the new regime will be as implied by the technical specifications and our comments should be considered in this context.	Agreed, inflation module has been included
57.	Belgian Association of Pension Institutions (BVPI-	I.4.12.	Recoverables from reinsurance should be added	Noted
58.	Institute and Faculty of Actuaries	I.4.12.	No comment	

59.	Institute and Faculty of Actuaries	I.4.13.	No comment	
60.	Institute and Faculty of Actuaries	I.4.14.	No comment	
61.	Institute and Faculty of Actuaries	I.4.15.	No comment	
62.	Barnett Waddingham LLP	I.4.16.	We expect that stochastic valuations will be very much the exception.	Noted.
63.	Institute and Faculty of Actuaries	I.4.16.	We are aware of no UK IORP that has in place the data and modelling infrastructure required to conduct a Solvency II level stochastic valuation. Many use stochastic techniques to study the evolving relationships between assets and liabilities but these are typically used solely to set investment strategies and are not calibrated for the longer term structure that a valuation would require.	Noted. IORPs may use simplifications where appropriate
64.	Barnett Waddingham LLP	I.4.17.	We note that the accuracy required for the QIS is lower than would be expected for supervisory reporting and consider that this means that the true impact, particularly the costs to IORPs of compliance, will be understated in the QIS.	Noted.
65.	Institute and Faculty of Actuaries	I.4.17.	We are troubled that EIOPA envisages a higher degree of accuracy for reporting than required for this first QIS as our members have found the calculations time consuming even at this level.	Noted.
66.	British Airways	I.4.18.	The proposed calculation of the SCR is based on a misunderstanding of the risks involved in investing in private equity and appears to	Noted.

	Pension Investment Management Limi		misunderstand how institutional investors gain exposure to private equity. It is also based on an index which has very little to do with the universe of investments through which investors gain exposure to private equity. Risk in private equity is not about volatility of short-term "market" values: market value is an inappropriate concept for an asset class which invests in assets which are not traded on a market. Pension funds invest in private equity through a portfolio of PE funds. Each PE fund is an unquoted, closed-end limited partnership vehicle with a typical life-span of 10 - 12 years, during which investors have no right of redemption of their commitment to the vehicle before the end of its life. An investment in a PE fund is in the form of a legally-binding commitment which is drawn down gradually over a number of years, with proceeds returned to investors as the underlying investments are realized. The whole draw down and distribution process takes many years to complete, hence the closed-end, 10-year structure of the vehicle. The "interim value" of a PE fund is based on the "value" of the underlying unquoted companies in which the PE fund invests: the "value" is regarded as a very rough interim guide to investors and fund managers alike, as it is recognized that the number is not a "true" market value, as such a number does not exist at this stage in the investment's life. The only value which really counts for a pension fund investor in a PE fund, is the value at which the underlying investments are realized. While "interim valuations" of the investments in the unquoted companies in which the PE fund invests can be calculated, these should not be confused with market values of assets which are freely tradable on an exchange, such as public equities.	Solvency II based approach follows from Commission's CfA

			If an SCR is to be calculated in relation to private equity, then it should at least be based on a relevant index which reflects the investment universe for investors in private equity and adopt a method of calculation which better addresses the key risk appropriate for the asset class rather than a risk which happens to be the most relevant for every other asset class, but which is of little relevance to investors in private equity. The appropriate index to use would be an industry benchmark and the relevant methodology would be a cash flow-based one, as set out in the EVCA Research Paper "Calibration of Risk and Correlations in Private Equity" submitted to EIOPA on 20 May 2012. Having calculated the calibration on a more appropriate basis for the risks and characteristics of the private equity asset class, then the logical step to follow would be the creation of a separate equity category for private equity in the standard model.	
67.	European Private Equity & Venture Capital Associat	I.4.18.	In order to calculate any theoretical risk calibration and correlations for private equity and venture capital, the full specificitiesof measuring risk in the asset class should be taken into consideration in order to produce a risk calibration and correlations that are appropriate. These specificities together with an appropriate database and calibration methodologies are expanded upon in this document in our comments on SCR 5.28, 5.29, 5.33, 5.38 and explained in detail in the EVCA Research Paper "Calibration of Risk and Correlations in Private Equity"┐ presented to EIOPA on May 20th 2012.	Noted. Solvency II based approach follows from Commission's CfA

			This EVCA Research Paper demonstrates, depending on the calibration method and the data base used, the shocks for the asset class, and hence the standard risk weighting for private equity, are between 20% and 35%. In addition to an appropriate risk calibration and correlation the specific characteristics of the asset class should also be taken into consideration when classifying private equity and venture capital within the market risk sub-module. These characteristics include: ☐ PE funds typically make long-term, one hundred per cent equity backed, investments; ☐ PE funds do not offer redemption rights for investors; ☐ PE funds do not use leverage at fund level, i.e. they are not exposed at fund level; ☐ PE funds do not engage in credit origination activities. Against the background of these characteristics of private equity and venture capital funds a fund structure has developed that may be defined as follows: "Private equity and venture capital funds are unleveraged funds which predominantly invest in equity instruments and instruments that are economically similar to equity instruments issued by unlisted companies. Such funds are characterised by alignment of interest through sharing of risk between management and investors. They are generally only open to eligible investors, namely professional clients and certain sophisticated HNWIs, and do not provide redemption rights to investors for a period of	

			at least five years after the first closing of the fund, i.e. the date when the first investor is admitted to the fund. Private equity and venture capital funds of funds invest in private equity and venture capital funds as defined above."┐ Consequently, we recommend creating a private equity and venture capital sub-module to accurately reflect the standard risk weighting for investing in private equity and venture capital funds and the unique characteristics of private equity and venture capital funds. 6Chakravarty/Diller (2012) EVCA Research Paper: "Calibration of Risk and Correlation in Private Equity" 7EVCA Position Paper (2012) "What is a private equity and venture capital fund?"	
68.	Institute and Faculty of Actuaries	I.4.18.	No comment	
69.	Barnett Waddingham LLP	I.4.19.	We note that EIOPA's method for estimating lower confidence levels will necessarily be approximate, and consider that this means that the results will be arbitrary and meaningless.	Noted.
70.	Belgian	I.4.19.	Is the VaR appropriate for long term pension liabilities ?	

	Association of Pension Institutions (BVPI-		Is the VaR over a time horizon of a 1 year period appropriate for long term pension liabilities ?	
71.	European Private Equity & Venture Capital Associat	I.4.19.	The EVCA welcomes that EIOPA will report on other possible confidence levels, however the EVCA does not believe that it is possible to give a single, universal, confidence level for all European occupational pensions schemes. Confidence levels and discount rates are also closely tied to specific plan designs. We believe that Member States should have the flexibility they need to adapt these mechanisms to their diverse industrial relations systems. In addition and given the long risk horizons of IORPs the EVCA believes it is more important to analyse the impact of: ☐ Risk horizons longer than one year ☐ The impact of different return expectations, which are much more important for longer risk horizons ☐ Different methods to treat dependencies, especially among alternative investments such as private equity , hedge funds, real estate and other financial assets and risk areas ☐ More appropriate data and methods for calibration as outlined in the EVCA research paper and other work such as the study by Professor Mittnik (2011)┐	Noted. Purpose of QIS is to analyse feasibility of uniform confidence level

			8 Chakravarty/Diller (2012) EVCA Research Paper:"Calibration of Risk and Correlation in Private Equity" Mittnik(2011) Solvency II Calibrations: Where Curiosity Meets Spuriosity	
72.	Groupe Consultatif Actuariel Européen	I.4.19.	We would be interested in knowing how EIOPA proposes to adjust the results to reflect lower confidence levels – we would caution against assuming a normal distribution.	Partially agreed, approximation included in technical specifications
73.	Institute and Faculty of Actuaries	I.4.19.	We are disappointed that EIOPA has not consulted on the methodology that it intends to use to reflect lower confidence levels. We recommend EIOPA take great care before assuming that variables have a Gaussian distribution and before assuming linear progressions.	Partially agreed, approximation included in technical specifications
74.	Towers Watson B.V.	I.4.19.	The confidence level is one (important) element that has been taken directly from Solvency 2. A level lower than 99,5% may well be more appropriate for IORPs, and we welcome the fact that the impact of other confidence levels will also be reported. In responding to the consultation, we would have appreciated some more detail on the method to be developed by EIOPA to reflect the lower confidence levels. We expect this detail will be provided in the QIS.	Partially agreed, approximation included in technical specifications
75.	Institute and Faculty of Actuaries	I.4.20.	No comment	

77.	Institute and Faculty of Actuaries	I.4.21.	No comment	
78.	Institute and Faculty of Actuaries	I.4.22.	No comment	
80.	Institute and Faculty of Actuaries	I.5.1.	No comment	
81.	Barnett Waddingham LLP	I.5.2.	We note that the default options should not be read as proposals for future measures and question the value of a QIS if this is the case.	
82.	Institute and Faculty of Actuaries	I.5.2.	No comment	
83.	Institute and Faculty of Actuaries	I.5.3.	As noted in I.2.2. above, we continue to question the validity of the uniform confidence level objective.	Noted.
85.	Aon Hewitt	I.5.4.	It is unclear how the information produced will be used and therefore difficult to comment on the proposals. If the intention is to use the results to decide on a suitable target for funding, a significantly shortened list of options is likely to be more appropriate.	Noted.
86.	Institute and Faculty of Actuaries	I.5.4.	No comment	
87.	Aon Hewitt	I.5.5.	Given the methodology you have proposed to calculate the risk-free yield	Noted.

			curve, it is a shame that the consultation document did not contain the estimates of the basic risk-free interest curve at the end 2011 for the currencies mentioned. Please could you make this available to stakeholders as soon as possible.	
88.	Institute and Faculty of Actuaries	I.5.5.	No comment	
89.	Institute and Faculty of Actuaries	I.5.6.	We remain concerned that Solvency II is being relied upon before it has reached a stable form.	Noted.
90.	Aon Hewitt	I.5.7.	For a best estimate, we would suggest that the proposed assumption for non-fixed income investments is too low under current financial conditions. In addition, building a best estimate return for equities from the underlying gilt yield is an outdated approach which does not work in the current environment.	Noted.
91.	Barnett Waddingham LLP	I.5.7.	Consideration should be given to innovative investment strategies with, for example, targets that reference bank base rates or inflation. The asset allocation of such funds can vary widely and at short notice, without any strategic benchmark.	Noted.
92.	Financial Reporting Council – staff response	I.5.7.	We note that for the Level B calculations it is proposed that a 3% premium should be used for equities and other risky equities. We note that many IORPs in the UK have investment strategies in place which will result in their equity holdings declining over time. For these IORPs the proposed 3% might lead to an overestimate of the return which can be expected from the IORP	Noted.

93.	Institute and Faculty of Actuaries	I.5.7.	As noted elsewhere we are concerned that the proposed way to derive the level B discount rates may not be sufficiently sophisticated to address the investment strategies of some IORPs and that as a result the QIS calculations may substantially misstate the results.	Noted.
94.	Aon Hewitt	I.5.8.	We are surprised about the reference to 2,916 combinations. It is unlikely that the EIOPA will review the results of 2,916 sets of calculations, and this reference suggests that more importance is being given to the number of calculations rather than whether the nature of the calculations themselves, and how they will drive policy intentions. Given the alternative options we suggest in this paper, there will no doubt be even more combinations, but the important point is that the right options are considered and then analysed appropriately. The idea of 2,916 combinations, yet the absence of suitably granular data, will seriously damage the credibility of EIOPA amongst pensions professionals.	Noted. IORPs are only requested to evaluate limited number of scenarios
95.	Institute and Faculty of Actuaries	I.5.8.	We are sympathetic to the need to simplify in order to keep the report comprehensible and manageable. However we would emphasise that the results have non-linear relationships with the inputs and consequently that it is possible that, as specified, there are some input/parameter ranges for which the deterministic version of the HBS is « chaotic » in the narrow mathematical sense of being hypersensitive to small variations in those inputs/parameters.	Noted.
96.	Barnett Waddingham LLP	I.6.1.	EIOPA must publish the questionnaire and spreadsheet well in advance of the QIS commencing to enable IORPs to become familiar with their content. The questionnaire could include an estimate of IORPs' costs of completing the QIS.	Noted. IORPs will asked to assess costs of QIS

97.	Financial Reporting Council – staff response	I.6.1.	Worked examples might also help QIS participants.	Noted.
98.	Institute and Faculty of Actuaries	I.6.1.	It would be helpful to understand whom EIOPA intends to complete the qualitative questionnaire.	
99.	Institute and Faculty of Actuaries	I.6.2.	No comment	
100.	Towers Watson B.V.	I.6.2.	Although regulatory consequences may be out of scope for the current consultation and the QIS itself, we feel that it is difficult if at all possible for shareholders to judge what the impact of the IORP Directive will be. On a more technical level – future financing as well as (other) regulatory consequences may influence 'non-unconditional' elements in a plan, such as in the Dutch situation the future indexation of accrued benefits, as well as the possible reduction of the same benefits.	Noted.
101.	Institute and Faculty of Actuaries	I.6.3.	No comment	
102.	Aon Hewitt	I.7.1.	There are a number of member states that have defined benefit IORPS in their countries that are not participating in the QIS so far. In some countries, like Austria, Norway, Cyprus and Italy, the level of assets that are in defined benefit IORPs may be lower than in other countries, but may well be material to the plan sponsors of the IORPs. For the QIS to be effective, we recommend that all member states that have defined benefit IORPS in their country participate, in order for the interests of plan sponsors and IORPs in these locations to be taken into account.	Noted. Member state participation is voluntary (Norway has decided to participate)

103.	Institute and Faculty of Actuaries	I.7.1.	No comment	
104.	Institute and Faculty of Actuaries	I.7.2.	No comment	
105.	Institute and Faculty of Actuaries	I.7.3.	No comment	
106.	Barnett Waddingham LLP	I.7.4.	In the UK, the Pensions Regulator intends to perform the QIS based on aggregate data. We believe this will not be sufficient to give a full picture of the impact on IORPs, but although the Pensions Regulator and the UK Government are urging IORPs to perform the QIS, we believe the time and cost involved will be prohibitive for the vast majority of IORPs.	Noted.
107.	Financial Reporting Council – staff response	I.7.4.	We would observe that the complexity of the specifications will deter individual IORPs and possibly actuarial firms participating in the QIS. It is possible that regional supervisory authorities will end up completing the QIS as best they can.	Noted.
108.	Institute and Faculty of Actuaries	I.7.4.	We understand that the UK Pensions Regulator intends to complete the QIS for UK IORPs. We would hope that it will be possible to calibrate the simplifications they will need to make against full QIS calculations for sample IORPs.	Noted.
109.	Institute and Faculty of Actuaries	I.7.5.	As noted elsewhere in this response, we believe that further guidance will be required if consistency is to be ensured.	Noted.

110.	Barnett Waddingham LLP	I.8.1.	We urge EIOPA to analyse and publish the impact on individual IORPS as well as the aggregate picture.	Disagreed, EIOPA will ensure confidentiality of results of individual IORPs
111.	Institute and Faculty of Actuaries	I.8.1.	No comment	
112.	Aon Hewitt	I.8.2.	EIOPA should provide details on how the capital surplus under the existing national regimes should be calculated. Many IORPs will not have calculated assets and liabilities under their local funding regimes at the effective date of the QIS calculations (i.e. 30 December 2011), so EIOPA should provide guidance on how IORPs should calculate these items to ensure consistency. This also means further calculations will need to be carried out to assess the existing position, which will increase the costs and limit the time available to carry out rest of the QIS.	Noted. National supervisors will provide guidance for member state specific issues
113.	Barnett Waddingham LLP	I.8.2.	We believe the impact on future contribution requirements should also be considered in detail.	Noted. There is not enough information at this stage to specify supervisory responses
114.	Financial Reporting Council – staff response	I.8.2.	The proposed comparison appears to be too simplistic as it would appear to be an aggregate comparison across IORPs in each region. An aggregate analysis might not identify the impact on IORPs with specific characteristics – eg IORPs with sponsors whose market capitalisation is much lower than the value of the IORP liabilities.	Noted. Aggregation does not preclude identification of certain categories
115.	Institute and	I.8.2.	We agree that it is important to consider the impact of the advice on	Noted.

	Faculty of Actuaries		capital surplus particularly for sponsors whose ability to raise capital is sensitive to the contents of its pension disclosures. However for other companies, the impact on cashflow and on the profit/loss account is much more important and we urge EIOPA to analyse this too.	
116.	Insurance Europe	I.8.2.	Insurance Europe wishes to stress the importance of drawing the correct conclusions from the results. Further testing may be needed to ensure new concepts like the sponsor covenant and pension protection scheme are accurately reflecting the economic reality faced by IORPs	Noted. EIOPA agrees more QISs are needed
117.	Barnett Waddingham LLP	I.8.3.	We believe that any supervisory options, such as a minimum capital requirement, are best left to supervisory authorities in each country rather than being enshrined in immutable legislation.	Noted.
118.	Institute and Faculty of Actuaries	I.8.3.	As noted elsewhere in this response, we are disappointed that details of possible regulatory interventions are not included in this QIS. We urge EIOPA to conduct a comprehensive impact study on possible intermediate supervisory trigger points and associated regulatory actions.	Noted. There is not enough information to specify supervisory responses at this stage
119.	Institute and Faculty of Actuaries	I.8.4.	As noted elsewhere in this response, we urge EIOPA to provide a detailed segmentation analysis when unpacking these data.	Noted.
120.	Institute and Faculty of Actuaries	I.8.5.	No comment	
121.	Barnett Waddingham LLP	I.8.6.	EIOPA's approach here sounds sensible and we would stress that this process should not be rushed, and should include sufficient opportunity for public consultation.	Noted.

122.	Institute and Faculty of Actuaries	I.8.6.	In responding to this consultation, we have assumed that in light of this proposed QIS, EIOPA will reach a conclusion on those aspects of its advice for which it reserved its position. Paragraph I.8.6 casts some doubt on this and it would be helpful if EIOPA were to clarify the position.	Noted. EIOPA will reconsider its advice after the QIS
123.	Institute and Faculty of Actuaries	I.9.1.	No comment	
124.	Institute and Faculty of Actuaries	I.9.2.	No comment	
125.	Barnett Waddingham LLP	I.9.3.	We hope that, given the breadth of the QIS and that EIOPA recognises that IORPs may not be familiar with the concepts, any new supervisory regime is not rushed in before all parties reach an understanding. The European Commission's timetable for IORPs seems overly ambitious given the decade it has taken to develop Solvency II, and EIOPA should advise the European Commission that its targets are unachievable if the policy options are to be properly tested.	Noted. EIOPA agrees more QISs are needed
126.	Institute and Faculty of Actuaries	I.9.3.	Elsewhere in this response, we argue for a series of QISs. We would find it helpful if EIOPA could confirm that there will be further QISs.	Noted. EIOPA agrees more QISs are needed
127.	Barnett Waddingham LLP	I.10.1.	As mentioned in I.9.3., the external timetable is unjustifiably short.	Noted.
128.	Institute and Faculty of Actuaries	I.10.1.	We understand and sympathise with the external constraints within which EIOPA is operating.	Noted.

129.	Aon Hewitt	I.10.2.	EIOPA has stated that the success of the QIS crucially depends on the quality of the technical specifications and the support of the occupational pensions sector. We have grave concerns that, as things currently stand, neither condition is met, and this means EIOPA has a lot of work to do in order to ensure the QIS is successful and meaningful.	Noted.
130.	Institute and Faculty of Actuaries	I.10.2.	We would like to see the limitations the external constraints have introduced made explicit in the final document. We are reassured to read that comments and suggestions from stakeholders will be properly taken into account. However our comments are not complete owing to the brevity of the consultation period and it seems likely to us that we are not alone in this position. It would be unfortunate if the quality of the final document were compromised by the limited nature of the feedback EIOPA receives.	Noted.
131.	Aon Hewitt	I.10.3.	We do not think it is possible to accurately calculate all items on the Holistic Balance Sheet and the Solvency Capital Requirement at appropriate costs within the expected timeframe.	Noted.
132.	Institute and Faculty of Actuaries	I.10.3.	It would be helpful to understand what EIOPA consider to be appropriate costs. We believe that insurance companies currently spend far more than UK IORPs on generating risk management information. As noted elsewhere in this response, we endorse the principle of applying robust risk management techniques to IORPs. We are therefore in favour of improving the risk management information available to the managers of IORPs however we consider that the regime applying to insurers would not be cost effective for all but a handful of UK IORPs.	Noted. IORPs are requested to assess costs of conducting QIS in questionnaire

134.	Institute and Faculty of Actuaries	I.10.4	No comment	
135.	Insurance Europe	I.10.4	Insurance Europe understands the extremely short consultation period set by EIOPA is a consequence of the ambitious calendar of the Commission for the review of the IORP Directive. Insurance Europe wishes to highlight however that the consultation period does not allow for a thorough assessment of the extremely complex issues being discussed. Therefore, Insurance Europe believes that there should be an on-going discussion on the capital requirements and the valuation of the security mechanisms and adjustment mechanisms of IORPs. Furthermore, there should be additional time for additional testing if the results of the QIS would show its necessity.	Noted. EIOPA agrees more QISs are needed
136.	Financial Reporting Council – staff response	I.11.1	We would note that the proposed timescale for compeltion of the QIS is short. There is a danger that a short period will result in limited and potentially inaccurate data.	Noted.
137.	Institute and Faculty of Actuaries	I.11.1	No comment	
138.	Aon Hewitt	I.11.1	Given the large number of comments that we have made, we would hope that EIOPA is able to issue an updated version for at least one more round of consultation before going ahead with the QIS. The occupational pensions sector needs to have the confidence that the final parameters will be appropriate and, without significant change to the	Noted.

			existing parameters and further consultation, EIOPA runs the risk that the final parameters will be heavily criticised and that they are still not suitable for the QIS. We are very concerned that this could damage the credibility and reputation of EIOPA within the occupational pensions sector.	
139.	Towers Watson B.V.	I.11.1	It is our impression that the timescale for the consultation, as well as for the QIS itself and the processing of the findings of the QIS resulting in the revised IORP Directive, is unrealistic. We regret that the consultation period (for a single QIS that is in fact more condensed than any of the five for insurers) has been contracted by 50%. The contents of the consultation seem to indicate that the timescale for writing it has also been strict. Elements taken from Solvency 2 are very (and at times perhaps unnecessarily) detailed, whereas elements that are brought in specifically for the IORP Directive are relatively generic.	Noted. Some areas of technical specifications will be further developed
140.	Institute and Faculty of Actuaries	PRO.1.1.	In our view, it is necessary but not sufficient to consider the risks when judging proportionality: it is necessary also to consider the resources available, the value added and the implications for future benefit provision. Our concern is that a focus purely on risk will result in regime that fails to balance security with adequacy and sustainability.	Noted.
141.	Towers Watson UK	PRO.1.1.	In our view, it is necessary but not sufficient to consider the risks when judging proportionality : it is necessary also to consider the resources available, the value added and the implications for future benefit provision. Our concern is that a focus purely on risk will result in regime that fails to balance security with adequacy and sustainability.	Noted.
142.	Aon Hewitt	PRO.2.1.	The objective of this exercise has not been defined with sufficient clarity. It is therefore very difficult to decide on what is proportionate.	Noted.

143.	Institute and Faculty of Actuaries	PRO.2.1.	See our comment on PRO 1.1	
144.	Insurance Europe	PRO.2.1.	Insurance Europe believes that it is appropriate that proportionality should be assessed, based on the nature, scale and complexity of the underlying risks. However, using simplified methods increases the risk of model error. Therefore, the use of simplified methods should incorporate the degree of conservatism which is necessary to result in the same level of calibration/protection of beneficiaries.	Noted.
145.	Barnett Waddingham LLP	PRO.2.2.	We are supportive of this approach. However we believe that the majority of IORPs will lack the necessary skills to undertake the in-depth analysis required for the QIS, let alone the final proposals, if implemented. We would welcome exemptions, or additional guidance, for the managers of small and medium-sized IORPs.	Noted.
146.	Institute and Faculty of Actuaries	PRO.2.2.	See our comment on PRO 1.1	
147.	Institute and Faculty of Actuaries	PRO.2.3.	We agree that it is important to assess model error. Moreover we have a concern that the non-linearities in the proposed model may lead to instability at the turning points, although the consultation period has proved too short for us to investigate this.	Noted.
148.	Institute and Faculty of Actuaries	PRO.2.4.	No comment	
149.	Institute and Faculty of	PRO.2.5.	No comment	

	Actuaries			
150.	Institute and Faculty of Actuaries	PRO.2.6.	See our comment on PRO 1.1	
151.	Barnett Waddingham LLP	PRO.3.1.	This is an area where considerable professional guidance could be required, increasing costs to IORPs.	Agreed. Proportionality section has been condensed for first QIS
152.	Institute and Faculty of Actuaries	PRO.3.1.	See our comment on PRO 2.6. We have a concern that given the non-linear nature of some aspects of the model, it is not generally possible to test a simplification robustly without checking against detailed results, which would defeat the object of adopting the simplification.	Noted.
153.	Institute and Faculty of Actuaries	PRO.3.2.	No comment	
154.	Institute and Faculty of Actuaries	PRO.3.3.	See our comment on PRO 1.1	
155.	Institute and Faculty of Actuaries	PRO.3.4.	It would be helpful to give a cross-reference in this paragraph to the definition of materiality in PRO 3.19, or to define materiality in a separate glossary and mark in bold those terms defined in the glossary.	Noted. Proportionality section has been condensed for first QIS.
156.	Institute and Faculty of Actuaries	PRO.3.5.	No comment	
157.	Institute and	PRO.3.6.	We agree with the general thrust of this paragraph but consider that	Noted.

	Faculty of Actuaries		more needs to be done to make it meaningful in the context of IORPs.	Proportionality section has been condensed for first QIS ted.
158.	Institute and Faculty of Actuaries	PRO.3.7.	No comment	
159.	Barnett Waddingham LLP	PRO.3.8.	The exercise of some options within an IORP are designed to be cost-neutral on a technical provisions basis, but give rise to a different pattern of cashflows. Could such options be excluded on the grounds of proportionality?	Noted. Options that are not material can be exluded
160.	Institute and Faculty of Actuaries	PRO.3.8.	We suggest that it is also necessary to consider how inter-dependencies may change when conditions become stressed and understand the circumstances in which the results of the model may not be stable.	Noted.
161.	Aon Hewitt	PRO.3.9.	It would also seem appropriate to consider the overall picture. Our view is that It would be disproportionate to analyse certain risks in great detail where other risks, perhaps more significant risks such as continuing employer support, are very difficult to model with any accuracy or depend on heroic assumptions.	Noted.
162.	Institute and Faculty of Actuaries	PRO.3.9.	No comment	
163.	Institute and Faculty of Actuaries	PRO.3.10.	No comment	
164.	Institute and	PRO.3.11.	No comment	

	Faculty of Actuaries			
165.	Institute and Faculty of Actuaries	PRO.3.12.	No comment	
166.	Belgian Association of Pension Institutions (BVPI-	PRO.3.13.	Solvency II, article 4, states that Solvency II does not apply to smaller insurance companies as long as they comply with certain criteria. Why not a similar approach for IORPs?	Noted. There is not enough information at this stage to specify proportionality rules
167.	Institute and Faculty of Actuaries	PRO.3.13.	No comment	
168.	Institute and Faculty of Actuaries	PRO.3.14.	No comment	
169.	Institute and Faculty of Actuaries	PRO.3.15.	No comment	
170.	Institute and Faculty of Actuaries	PRO.3.16.	No comment	
171.	Institute and Faculty of Actuaries	PRO.3.17.	It would be helpful to give a cross-reference to the definition of materiality in PRO 3.19. In addition we consider that a model needs to be relatively stable over time – there is no advantage to simplifications if they need to be changed	Noted. Proportionality section has been condensed for first QIS.

			every time they are used.	
172.	Institute and Faculty of Actuaries	PRO.3.18.	No comment	
173.	Aon Hewitt	PRO.3.19.	It is not clear who the user is and what decisions are to be taken. EIOPA should clarify what it means for this for the purpose of the QIS (eg is the user the IORP; the national supervisor; EIOPA or the European Commission; and what decisions will be made by the respective users).	Noted.
174.	Barnett Waddingham LLP	PRO.3.19.	EIOPA should clarify who it considers to be the user of the information. From PRO.3.20. we assume that this is the supervisory authority. In this case it may be necessary for supervisory authorities in member states to issue additional guidance on proportionality. If the users are to include beneficiaries of IORPs, this judgement becomes much harder to exercise. We consider that the holistic balance sheet and capital requirement proposals are unduly complex and could potentially mislead individuals, leading to poor decisions.	Noted.
175.	Institute and Faculty of Actuaries	PRO.3.19.	No comment	
176.	Aon Hewitt	PRO.3.20.	This states "a QIS exercise usually requires a lower degree of accuracy than financial and supervisory reporting". EIOPA should clarify the level of accuracy it requires for this QIS exercise (as most IORPs have not participated in such a QIS exercise in the recent	Noted.

			past). Given overall level of pension assets in EEA IORPs exceed €2 trillion (source: EFRP); it would be reasonable to assume total Level A Technical Provisions could be of the order of €3 trillion. Given the overall complexity of calculations; short-time to do the QIS; overall judgement and approximations required; and extreme market conditions at end 2011; we think that it is unlikely to expect that the overall accuracy for these overall calculations will be less than 5-10%. This means that some of the numbers for the EEA as a whole may only have an accuracy level of €150 to €300 billion EIOPA should confirm what level of accuracy it is hoping to achieve, and whether an overall accuracy level of 5-10% (ie €150 billion to €300 billion) is appropriate. If a higher level of accuracy, then EIOPA should provide further guidance on how it hopes this can be reached.	
177.	Barnett Waddingham LLP	PRO.3.20.	We consider that to give a picture of the true impact on IORPs, the QIS should require the same degree of accuracy as financial and supervisory reporting.	Noted.
178.	Institute and Faculty of Actuaries	PRO.3.20.	In our view it is appropriate to conduct a series of QISs with increasing levels of accuracy. However we are concerned about the potential for instability in the proposed model and this makes us worry that lower accuracy may mask important potential impacts.	Noted. EIOPA agrees more QISs are needed
179.	Institute and Faculty of Actuaries	PRO.3.21.	No comment	

180.	Institute and Faculty of Actuaries	PRO.3.22.	We advocate substantial backtesting of the proposed model using actual market data over, say, the last 5 years.	Noted.
181.	Institute and Faculty of Actuaries	PRO.3.23.	No comment	
182.	Institute and Faculty of Actuaries	PRO.3.24.	No comment	
183.	Institute and Faculty of Actuaries	PRO.3.25.	No comment	
184.	Institute and Faculty of Actuaries	PRO.3.26.	No comment	
185.	Institute and Faculty of Actuaries	PRO.3.27.	No comment	
186.	Institute and Faculty of Actuaries	PRO.3.28.	No comment	
187.	Institute and Faculty of Actuaries	PRO.4.1.	No comment	
188.	Institute and Faculty of	PRO.4.2.	Longevity, the key biometric risk for most IORPs has been the subject of a great deal of research and development in the UK in recent years and	Noted.

	Actuaries		we would welcome the opportunity to share our expertise in this field with EIOPA.	
189.	Institute and Faculty of Actuaries	PRO.4.3.	We suggest that EIOPA make clear that market consistency is the underlying objective in valuing options and guarantees.	Noted.
190.	Institute and Faculty of Actuaries	PRO.4.4.	No comment	
191.	Institute and Faculty of Actuaries	PRO.4.5.	The actuarial standards applying to UK pensions actuaries requires that : "No adjustment shall be made to any assumption used in, or proposed for use in, a model to compensate for a shortcoming in another unrelated assumption." It is therefore not clear to us that UK actuaries would be able to group charges and guarantees as proposed.	Noted.
192.	Institute and Faculty of Actuaries	PRO.4.6.	No comment	
193.	Institute and Faculty of Actuaries	PRO.4.7.	No comment	
194.	Institute and Faculty of Actuaries	PRO.4.8.	No comment	
195.	Institute and Faculty of Actuaries	PRO.4.9.	No comment	

196.	Institute and Faculty of Actuaries	PRO.4.10.	No comment	
197.	Institute and Faculty of Actuaries	PRO.4.11.	No comment	
198.	Institute and Faculty of Actuaries	PRO.4.12.	No comment	
199.	Institute and Faculty of Actuaries	PRO.4.13.	No comment	
200.	Institute and Faculty of Actuaries	PRO.4.14.	No comment	
201.	Institute and Faculty of Actuaries	PRO.4.15.	No comment	
202.	Institute and Faculty of Actuaries	PRO.4.16.	No comment	
203.	Aon Hewitt	PRO.4.17.		
204.	Institute and Faculty of Actuaries	PRO.4.17.	No comment	