

<b>Comments Template on Consultation Paper on Further Work on Solvency of IORPs</b>		<b>Deadline 13 January 2015 23:59 CET</b>
Name of Company:	BAPI Belgian Association for Pension Institutions	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> <li>⇒ Do <b>not</b> change the numbering in the column "reference"; <b>if you change numbering, your comment cannot be processed by our IT tool</b></li> <li>⇒ Leave the last column <u>empty</u>.</li> <li>⇒ Please fill in your comment/response in the relevant row. If you have <u>no response</u> to a question, keep the row <u>empty</u>.</li> <li>⇒ Our IT tool does not allow processing of comments/responses which do not refer to the specific numbers below.</li> </ul> <p><b>Please send the completed template, <u>in Word Format</u>, to <a href="mailto:CP-14-040@eiopa.europa.eu">CP-14-040@eiopa.europa.eu</a> . Our IT tool does not allow processing of any other formats.</b></p> <p>The numbering of the questions refers to <b>Consultation Paper on Further Work on Solvency of IORPs</b>.</p>		
<b>Reference</b>	<b>Comment</b>	
General Comment	<p><b><u>BAPI</u></b> The Belgian Association of Pension Institutions (BAPI) is a non-profit association that brings together the IORPs or institutions for occupational retirement provision as well as the organizers of industry wide pension plans. BAPI's objective is to cooperate in developing a legal and regulatory framework aimed at sustainability expanding the supplementary pension provisions that its members organize or manage on behalf of employees, self-employed persons and civil servants in an occupational context on a collective basis, and by so doing to address the challenges of the ageing population</p>	

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with a view to an essential addition to the statutory pension.

In terms of assets under management BAPI represents 80% of the Belgian IORPs. With a total of 18.5 billion € assets under management (figures end 2013) and 1.5 million affiliated members, from an EU perspective, the 208 Belgian IORPs belong all to the small and medium sized IORPs in Europe.

BAPI read with great interest the mapping exercise as documented by EIOPA. This document illustrates the patchwork of different regulations for prudential supervision of IORPs as practiced across EU. This patchwork is an illustration of the many different ways of organizing occupational pensions given the underlying broader context which differs in each of the Member states.

BAPI welcomes EIOPA made an effort to address several concerns which were raised during previous consultation exercises (sponsor support, proportionality, use of HBS, trigger points, supervisory framework, etc...). So far, we noticed EIOPA has never questioned the starting points, being a) is Solvency II a correct reference for IORPS, and b) is the HBS appropriate as prudential supervisory tool for IORPs.

Based on EIOPA's criteria to evaluate the examples of the use of HBS as supervisory framework, we herewith give an overview of BAPI's main comments on the Solvency II approach and the HBS. BAPI uses these criteria to explain why BAPI believes the HBS is not the appropriate tool for a new supervisory framework for IORPs.

**Market consistency will lead to artificial results and will introduce short-term volatility.**

BAPI notices the market consistent approach introduces short term volatility which is in contradiction with the long term nature of the pension liabilities of the IORP and which will have an impact on the investment behaviour of the IORPs in EU. BAPI believes the market consistent HBS is not matching the IORP activities and as such it is not the appropriate approach.

BAPI believes market consistency only works when prices or values are finally consistent with

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deep, liquid and transparent financial markets on which no arbitrage opportunities exist. We notice such a market does exist for every item on the holistic balance sheet (HBS)(e.g. sponsor support, risk margin, etc...).

For a lot of situations EIOPA still struggles in determining the probability of defaults to value sponsor support. Often the input data is based on best estimates and/or incomplete market data. As such the values for sponsor support are artificial or even arbitrary.

Other elements of the HBS are only useful if obtained with very complex stochastic models. This is not realistic as such different simplifications are introduced, but what is the outcome worth? It is too complex to do it right, but by simplifying the results are questionable. As such the HBS is inadequate as regulatory instrument for supervising the IORPs.

**National IORP systems are very different and according to the subsidiarity principle need specific rules in each Member State**

EU Member States all have different approaches of organizing their social security system, labour market, social protection mechanisms. This is highly reflected in the many different ways of setting up occupational pension schemes and the way these schemes are organized on the market. Member States with mainly pure DC schemes organized by IORPs with a commercial organizational structure should be able to address prudential regulation differently from Member States with mainly DB pension schemes organized by IORPs with a not for profit organizational structure and where social partners are deeply involved in the management of the IORP and/or the scheme. As all risk protection comes with a cost label which is highly impacting the level of the retirement benefit, therefore Member states with a high level of statutory pensions should be able to give more leeway than member states where occupational pensions are the main part of the retirement income. BAPI believes it is not appropriate to aim for a one fits all approach for regulation. We understand EU would like to harmonies the security level for retirement benefits but BAPI believes that this cannot result in a single similar rule for each Member State. Based on the subsidiarity principle, BAPI advocates for an approach based on broad and general EU principles, like in the current IORP Directive, where Member States have the flexibility to adapt

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the general approach to a broader national context.

BAPI would like to emphasize that a possible introduction of the HBS for Belgian IORPs will disturb the Belgian pension market. The HBS will drive sponsors to an insured solution, the so called Branch 23 solution, without any guarantee and without any additional prudential protection for the members and beneficiaries (social- and labour legislation provides only a minimal level of protection).

**Protection of members and beneficiaries is demolished if in the end retirement plans are terminated or all risk is shifted**

At the one hand EU's aim is to encourage occupational pension provisioning and to protect members and beneficiaries, but on the other hand a prudential framework is suggested for which stakeholders fear that a) pension provisioning will decrease due to increasing costs for the sponsoring undertaking b) risks for members and beneficiaries will increase due to a further shift from DB to DC c) a change in investment strategy might impact economic development and growth and will reduce the room for occupational retirement provisioning in EU.

BAPI stresses that further research on the possible micro- and macro-economic impact needs to be done before a HBS is introduced. We fear in the end the HBS will not at all protect members and beneficiaries but will leave them with poor benefits or even without any retirement benefit plan.

**Similar level of protection should be seen in a broader context**

As protection costs money and impacts the benefit, BAPI truly believes that the level of protection of the occupational retirement benefit should be aligned with the broader context. The level of protection should be dependent on the part this pension takes in the total retirement income. In setting the level of protection, Member States should take into account elements like the level of statutory retirement benefits, percentage of house ownership, costs for health care, access to care facilities for elderly etc...

Based on the subsidiarity principle, BAPI advocates for a framework based on broad and general

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EU principles but where Member States have the flexibility to adapt the general approach at a broader national context and where the level of protection can be adapted to the broader context.

**Sponsors should be encouraged to organize pension plans by focusing on innovation, development and growth. Pension protection schemes may help to protect against the sponsor default risk.**

Providing capital/sponsor support to protect the long term retirement benefits of members and beneficiaries against a short term risk (one year) that might pop up with a probability of 0.5% (once in 200 years) risks to create a lot of “death capital” and might have a substantial negative impact on the sponsor, the capital markets, the development and growth and not a least on the long term retirement benefits of EU citizens (which we wanted to protect).

Sponsors should focus on creating value to develop economic growth. This is essential to create jobs and to create the opportunity for EU citizens to generate occupational pensions.

If EU wants to guarantee a decent income for members and beneficiaries, attention should be given to a proper risk sharing amongst all stakeholders. A further shift from DB to DC plans should be avoided. A pension protection scheme can be part of this picture.

**Long term investments should be encouraged**

EU focusses on long term investments and takes many initiatives in this respect. But on the other hand EIOPA continues to work on a supervisory framework which discourages IORPs to invest in long term securities. The Solvency II approach contradicts the long term nature of life insurance products as well as those of the IORP’s liabilities by imposing elements like the use of a risk free discount rate curve and a “Value At Risk” over 1 year.

A research paper recently published by the European Central Bank states that: *“The main findings of the study are that the proposed solvency capital requirement framework could lead to IORPs shifting their investment allocations towards a greater proportion of “low-risk” asset classes.*

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*However, the impact is likely to vary extensively across EU countries, in line with national pension legislation, demographic profiles, the macro-financial situation and cultural preferences. Nevertheless, the study finds some empirical support to suggest that even the announcement of the proposed revisions, which have in the meantime been deferred, may already have led to some de-risking of some IORPs. Furthermore, some pro-cyclicality of IORPs' investment strategies could be expected should these proposals be adopted, although the exact outcomes will depend on their precise calibration, especially regarding counter-cyclical adjustments."*

**Cross border activity is not the only goal**

BAPI is of the opinion that cross border activities besides being obstructed by prudential regulations mainly are jeopardized by the differences in fiscal (and para fiscal) regimes and social/labour law regulations. It is particularly this latter matter that tends to cause mistrust on the part of the social partners when it comes to organizing pensions in another member state. Please note EU currently only counts a marginal number of IORPS with cross border activities (less than 100 compared to about 110,000 IORPs). BAPI believes the current principle based minimal harmonization level as defined in IORP I gives already an adequate protection level also in cross border situations.

**Consistency with insurance framework is a wrong starting point**

EU introduces regulations to secure the solvency of bank and insurance companies and would like to extend this type of financial regulation for IORPs. The regulations Basel III and Solvency II use a market consistent and risk based approach. Both regulations offer a consistent framework to value risk and market value at a certain moment in time, in order to inform shareholders about the risk they bear, and to post correct values on the capital markets. BAPI notices there are important issues with the implementation of the Solvency II regulation for life insurances products also mainly because of their long term nature.

Approaches as used by Basel III and Solvency II are copy/pasted to the IORP environment to reflect if long term expectations from members and beneficiaries will be sustained by the underlying sponsoring undertaking who organizes its pension scheme via an IORP.

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Between the world of the financial institutions at one hand and the world of the institutions with mainly a social purpose at the other hand many contradictions exist: short term valuation versus long term capacity to honour the benefit commitment, financial approach versus social approach, shareholders versus stakeholders, insurance engagement versus sponsor's commitment combined with IORPs' best effort engagement, need for transferability of the engagement or not and many others.

The HBS approach extends the prudential framework for IORPS to a social framework which controls the sustainability of a pension promise rather than the solvency of an IORP. BAPI questions if this is still in line with the subsidiarity principle.

BAPI realizes IORPs across EU might have different forms, nevertheless BAPI asks for an IORP regulation which takes into account the different characteristics and particularities. As IORPs are different to banks and insurance companies, BAPI is convinced the consistency with the insurance framework might not be a main goal.

**An alternative for next QIS**

BAPI believes that EIOPA already has a lot of building block results from the previous QIS exercise to understand most of the impact of each of the examples for the different IORPs in the different Member States. As an additional QIS exercise again requires extensive resources, BAPI advocates for a more efficient and pragmatic approach based on previous QIS results.

**BAPI's view on the HBS**

Based on the comments above, BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's

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	<p>view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</p>	
<p>Q1</p>	<p><b>Q1: Do stakeholders think that the word “contract” is an adequate description of the characteristics of the set of rules and arrangements governing the provision of benefits to members and beneficiaries by an IORP?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>No. In Belgium we clearly have different type of contracts which make the pension promise happen. The main set of rules and arrangements governing the provision of benefits to members and beneficiaries is a combination of the pension promise, the management agreement and the financing plan.</p> <p>The pension promise is defined by social partners and will define the benefits to members and beneficiaries. National social and labour legislation rules the pension promise and stipulates that the ultimate liability for the funding of the pension promise stays with the sponsoring undertaking.</p> <p>The management agreement and financing plan are agreements between the sponsor and the IORP about the implementation/organization of the pension promise as a whole or only part of it. The „management agreement“ is a contract defining the relation between the IORP and the sponsoring undertaking and specifies the sponsor has to pay the required contributions, the IORP</p>	



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	<p>invests the money and executes the pension scheme by paying benefits, organizing the benefit communication, making the reporting to the national supervisory authorities, etc.... . An IORP can unilaterally end the management agreement but has no competence at all to amend or end the pension promise.</p> <p>Belgian IORPs have a best effort engagement only, as such there is no risk transfer from the sponsoring undertaking to the IORP and no own capital requirements in the IORP vehicle.</p> <p>The word contract as suggested by EIOPA is not appropriate, as a) it does not make a distinction between the pension promise and the management agreement and b) it does not reflect the best effort engagement of Belgian IORPs.</p> <p>Please bear in mind that some pension promise arrangements are organized by more than one pension vehicle e.g. a defined benefit plan with employee contributions, where the latter are organized via a group insurance contract although the employer works with an IORP. We believe the holistic balance should only address those liabilities which are organized by the IORP. As such the specifications of the term “contract” should be clear.</p>	
Q2	<p><b>Q2: Do stakeholders think that the word “boundary” is suitable here?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI’s view, BAPI answers EIOPA’s questions in order to provide constructive input for EIOPA’s further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>As boundary seems to be defined as a moment in time, it is not totally clear what happens if that moment is not predefined. If the IORP has the right to end the management agreement, even if that moment is still undefined, this should be understood as a boundary as well.</p>	
Q3	<p><b>Q3: If not, please provide an expression more suitable for IORPs which could</b></p>	

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**replace the expression “contract boundaries”.**

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We would avoid using the wording “contract boundaries”. This is Solvency II terminology which does not fit for IORPs. We would prefer to talk about the “scope for the agreement”.

Not clear what happens if no risk is transferred from the sponsoring undertaking to the IORP. Does this mean there is no contract in the context of contract boundary? Please clarify.

Q4

**Q4: Do stakeholders have any general comments on the above section?**

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The ideas and terminology is too much a copy/past of Solvency II regulation and does not fit the IORP environment.

Furthermore it is difficult to set the definition without knowing the use of the HBS: to define liabilities and capital requirements or as a risk management tool.

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Q5	<p><b>Q5: Do stakeholders think that unilateral rights (or obligations) of an IORP to terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk should be the basis for a definition of contract boundaries for IORPs? Are there cases where such rights (or obligations) should be the basis for a definition of contract boundaries for IORPs even though they are not unilateral rights (or obligations) of the IORP, but can be exercised unilaterally or jointly by other parties (possibly together with the IORP)?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>We are not convinced it is important to know who has the right or the unilateral right to change the contract/agreement/pension promise (the IORP, the sponsor, the social partners, ...), the question is can the contract/agreement/pension promise be ended or amended. If so, whatever the procedure is to do so, future benefit accruals/contributions do not need to be considered for the technical provisions.</p>	
Q6	<p><b>Q6: Do stakeholders agree with the analysis above of the different ways of liabilities of IORPs arising?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that</i></p>	

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	<p><i>BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>We believe the main criteria for accruing benefits is being affiliated to the pension scheme. Depending of the type of benefit scheme, benefits are accrued based on contributions, service accrual, or simply because someone is member.</p> <p>To recognize benefits for the technical provisions, we believe we should focus on the benefit promises at valuation date and not the benefit expectations at retirement date, which means we should at least include those benefits which are accrued at valuation date. Assuming the HBS is used as a risk management tool, an additional layer with projected benefits might add interesting information, but we believe this is a nice to have for those who can afford this more complex exercise, as said before, the focus should be on the accrued benefits.</p>	
Q7	<p><b><i>Q7: Do stakeholders think that there should be a distinction between incoming cash-flows which are considered as “regular contributions” to finance (the accrual of) benefits on the one hand and sponsor support on the other hand? What is the view of stakeholders regarding the practicality of such a distinction?</i></b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI’s view, BAPI answers EIOPA’s questions in order to provide constructive input for EIOPA’s further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>In case of projected benefits, incoming contributions have to be taken into account. Although it will not be that easy from a practical point of view, we agree it makes sense to make a split between future contributions linked with future accrual, which should be recognized in the technical provisions and other contributions which should be recognized as an asset namely a type of sponsor support. Please note we believe these other contributions can only be taken into account if they are part of an agreement and can be seen as fixed until agreed differently e.g. as defined in a financing plan.</p>	

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Q8	<p><b>Q8: Do stakeholders agree, that, if there was a distinction as described in question Q7, “regular contributions” should be recognized in technical provisions while sponsor support should be treated separately?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI’s view, BAPI answers EIOPA’s questions in order to provide constructive input for EIOPA’s further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>In case future accruals would be part of the HBS, we agree it makes sense to recognize regular contributions as technical provisions and other as sponsor support.</p>	
Q9	<p><b>Q9: Do stakeholders agree that payments by the IORP to the sponsor related to a surplus of the IORP (in case such payments are allowed for in the scheme) should not be recognized in technical provisions of the IORP? If not, how/where should they be recognized/presented in the HBS?</b></p> <p>Belgian regulation does not allow the IORP to pay a surplus to the sponsor. These funds stay in the IORP and should be recognized as a type of (negative) sponsor support.</p>	
Q10	<p><b>Q10: Are stakeholders aware of cases in which there would be an obligation of the IORP to pay out benefits without having received any contributions/payments to finance those benefits (e.g. because the obligation is constituted by social and labour law)? If yes, please describe.</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI’s view, BAPI answers EIOPA’s questions in order to provide constructive input</i></p>	

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	<p><i>for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>No, not for Belgian IORPs. According to Belgian social and labour legislation the sponsor is always ultimate liable for the benefit promise and its funding. In case of sponsor default, the IORP is only liable for the benefits which are funded. If no other sponsor can be found to pick up the full benefit liability, than the benefit promise is transformed to a reduced benefit being an individual account where the sum of the surrender value of the reduced benefits equals the actual funding level, and where the individual accounts are living an independent path no longer linked with the initial benefit promise.</p>	
Q11	<p><b>Q11: Do stakeholders believe that the contract boundaries could be defined based on future benefit payments rather than contribution or premiums?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>The definition might be workable if referring to future accrual of benefits rather than benefit payments as such, contributions or premiums.</p>	
Q12	<p><b>Q12: Do stakeholders have any general comments on the above section?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that</i></p>	

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	<p><i>BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>We have no comment.</p>	
Q13	<p><b>Q13: Do stakeholders have any general comments on the above section?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>We have no comment. We believe this type of profit sharing is typically for insured benefit plans but is rather rare in the context of a benefit plan organized via a Belgian IORP.</p>	
Q14	<p><b>Q14: Do stakeholders think that the above definition of contract boundaries for IORPs is in line with the general idea that cash-flows should be recognized if and only if they lead to risks building up in the IORP as described in section 4.2.4 (all those cash-flows should be in technical provisions; no cash-flows where all risks could be avoided should be in technical provisions)?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>We believe the terminology as well as the definition of contract boundaries is still too much a copy paste of the Solvency II definition. We believe the triangular relation IORP, sponsoring</p>	

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undertaking, members and beneficiaries is still not reflected correctly. As explained in the answer to Q1, the Belgian triangular relationship is characterized by two “contracts”: first of all the pension promise –a contract between the sponsoring undertaking and the members and beneficiaries- and secondly the management agreement between the IORP and the sponsoring undertaking. Both contracts can be ended at all times: but for the benefit promise this can be done either unilaterally by the sponsor only or this might need an agreement amongst social partners. The second contract can be ended unilaterally either by the sponsor or by the IORP. We are not sure it is relevant to know if the “contract” can be ended unilaterally – we believe it should be checked if the IORP can be released of any liabilities linked to future benefit accruals whatever the procedure is to do so. Our understanding is a Belgian IORP can be released by stopping the management agreement, and as such should include in technical provisions the accrued benefits only.

Please also note it is not because a benefit promise exists that benefit payments will always be done via the IORP. Without abolishing the benefit promise as such, the sponsoring undertaking and/or social partners might always decide for another pension vehicle.

Please note a Belgian IORP has a “best effort” engagement as such it is never the IORP who bears the risk, all risk stays with the sponsoring undertaking. In this context “risk building up” stays very confusing as there is no risk building up at all – managing/organizing/executing benefits might be more appropriate.

***Q15: In case more/higher cash-flows than appropriate (compared with the general idea) are included in technical provisions according to this definition, how should the definition be amended to exclude them?***

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Q15



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	<p>We do not immediately see more/higher cash flows in the technical provision, given the fact that we believe the technical provision contains accrued benefits only and even if future benefit accrual would be taken into account only future contributions covering future benefit accrual are taken into account.</p>	
<p>Q16</p>	<p><b>Q16: In case not all cash-flows which lead to risk building up in the IORP, as explained in section 4.2.4, are included, with which wording could they be included?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>Please note the notion "risk building up in the IORP" is not applicable for Belgian IORPs. As Belgian IORPs only have a best effort engagement, all risks stay with the sponsor. From paragraphs 4.26 to 4.28 we learn that we should replace "risks building up in the IORP" by "the IORP to provide for benefit payments" where the corresponding risks of the benefit promise are born by the sponsor. Again it is not because the IORP (unilaterally) decides to stop providing the benefit payments that the benefit promise as such is stopped. This would mean the sponsor needs to look for another pension vehicle. Please note as in the Belgian context, the IORP is a pension vehicle set up and often also controlled by the sponsor, the decision that the IORP will no longer provide the benefit payments is a theoretical scenario which will hardly happen in practice. As suggested before managing/organizing/executing benefits might be more appropriate wording.</p>	
<p>Q17</p>	<p><b>Q17: Is the wording of the definition appropriate for IORPs?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles</i></p>	

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*focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.*

We would prefer the definition better reflects the triangular relationship and clarifies that ending the provision of benefit payments by the IORP can either be due to a unilateral decision of the IORP to stop the "management agreement" (see Q1) between the IORP and the sponsor or by amending/stopping the "benefit promise" (see Q1) according to a procedure as stipulated by national social and labour law – so either the sponsor unilaterally or a decision of social partners and/or members and beneficiaries.

We would prefer to use the term "...amend the agreement with..." instead of "terminate" as this is more in line with common practice.

We are not convinced it is important to know who has the right or the unilateral right to change the contract/agreement/pension promise (the IORP, the sponsor, the social partners, ...), the question is can the contract/agreement/pension promise be ended or amended. If so, whatever the procedure is to do so, future benefit accruals/contributions do not need to be considered for the technical provisions.

**Q18: Is it necessary to have both 2. a. and b. in the above definition, or could a. be restricted to cases where a termination of the agreement leads to a stop of additional contributions and/or the repayment of contributions received/payment of a surrender value (and then maybe a. and b. could be combined)?**

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Q18

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	<p><i>turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>We have no comment.</p>	
Q19	<p><b>Q19: Are there additional rights of the IORP or another party (unilateral or not) which should be considered in the definition (see section 4.2.4)?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>Yes, we would prefer the definition better reflects the triangular relationship and clarifies that ending the provision of benefit payments by the IORP can either be due to a unilateral decision of the IORP to stop the “management agreement” (see Q1) between the IORP and the sponsor or by amending/stopping the “benefit promise” (see Q1) according to a procedure as stipulated by national social and labour law – so either the sponsor unilaterally or a decision of social partners and/or members and beneficiaries.</p> <p>We are not convinced it is important to know who has the right or the unilateral right to change the contract/agreement/pension promise (the IORP, the sponsor, the social partners, ...), the question is can the contract/agreement/pension promise be ended or amended. If so, whatever the procedure is to do so, future benefit accruals/contributions do not need to be considered for the technical provisions.</p>	
Q20	<p><b>Q20: Is it clear from the proposed wording of the definition that in principle not only benefits (out-going cash-flows), but also contributions (incoming cash-flows) have to be recognized in technical provisions?</b></p>	

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	<p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>Yes, although it might be necessary to specify that only cash flows linked to benefit accrual should be considered.</p>	
Q21	<p><b>Q21: Are the cases described in parts a) and b) of the definition clearly distinguishable in practice?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>Yes.</p>	
Q22	<p><b>Q22: Are the conditions mentioned above for making unilateral rights of the sponsor part of the definition of contract boundaries sufficient, or should further conditions be included? How could those rights and conditions be merged into the proposed definition of contract boundaries?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as</i></p>	

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*Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.*

We would prefer the definition better reflects the triangular relationship and clarifies that ending the provision of benefit payments by the IORP can either be due to a unilateral decision of the IORP to stop the "management agreement" (see Q1) between the IORP and the sponsor or by amending/stopping the "benefit promise" (see Q1) according to a procedure as stipulated by national social and labour law – so either the sponsor unilaterally or a decision of social partners and/or members and beneficiaries.

We are not convinced it is important to know who has the right or the unilateral right to change the contract/agreement/pension promise (the IORP, the sponsor, the social partners, ...), the question is can the contract/agreement/pension promise be ended or amended. If so, whatever the procedure is to do so, future benefit accruals/contributions do not need to be considered for the technical provisions.

**Q23: Do stakeholders agree that the proposed adapted definition of contract boundaries for IORPs (above) leads to the results described in this section? If not, please explain.**

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Yes. Example 8 is most close to a typical Belgian IORP although the IOPR has a unilateral right to end the "management agreement" (see Q1), it will not be the IOPR but the sponsor and/or social

Q23

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partners or members and beneficiaries to amend/terminate the benefit promise. Therefore for Belgian IORPs it is important the definition better reflects the triangular relationship (see Q17, Q19 and Q22). We believe it is important to know if the IORP can be released of the benefit payment: this can be either because the IORP is no longer the pension vehicle used for the benefit payments (end of the management agreement between the IORP/sponsor – can be ended by both parties) or by a change to the benefit promise as such – a procedure set by national social and labour legislation and driven by sponsor/social partners/members and beneficiaries. Not the unilateral nature of the decision is important, but the fact that a procedure exists to make this amendment/termination happen.

We are not convinced it is important to know who has the right or the unilateral right to change the contract/agreement/pension promise (the IORP, the sponsor, the social partners, ...), the question is can the contract/agreement/pension promise be ended or amended. If so, whatever the procedure is to do so, future benefit accruals/contributions do not need to be considered for the technical provisions.

**Q24: Do stakeholders consider the above definitions workable? If not, please explain why not and how you would suggest to improve the definition(s).**

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Yes, although in practice the distinction is not always crystal clear (implicit/explicit policy, mixed/pure discretionary, mixed/conditional, ...)

**Q25: Do stakeholders have any general comments on the above section?**

Q24

Q25

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	<p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>We have no comment.</p>	
Q26	<p><b>Q26: Would it be possible, in the views of stakeholders, to properly quantify the relation between the funding position of the IORP and elements of discretionary decision-making (the pattern) in order to take the pattern into account in the valuation process? If so, how?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>In theory we agree with these concepts but in practice this is too complicated for Belgian IORPs which are small and medium sized. This is only valuable in the context of stochastic valuations for IORPs which have the knowledge and resources to set up complex modelling.</p>	
Q27	<p><b>Q27: Do stakeholders agree that IORPs need to produce a best estimate of expected future payments (under different scenarios), if pure discretionary benefits were to be recognized in a HBS? If not, what alternative would you suggest?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles</i></p>	

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	<p><i>focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>If pure discretionary benefits were to be recognized in the HBS, best estimate of expected future payments according to different scenarios should be taken into account. Again, in theory we can agree with these concepts but in practice this is too complicated for Belgian IORPs which are small and medium sized. This is only valuable in the context of stochastic valuations for IORPs which have the knowledge and resources to set up complex modelling.</p>	
Q28	<p><b>Q28: Do stakeholders agree that IORPs need to produce a best estimate of expected future payments (under different scenarios), if mixed benefits were to be recognized in a HBS? If not, what alternative would you suggest?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>If mixed benefits were to be recognized in the HBS, best estimate of expected future payments according to different scenarios should be taken into account. Again, in theory we can agree with these concepts but in practice this is too complicated for Belgian IORPs which are small and medium sized. This is only valuable in the context of stochastic valuations for IORPs which have the knowledge and resources to set up complex modelling.</p>	
Q29	<p><b>Q29: Do stakeholders agree that IORPs need to produce a best estimate of expected future sponsor payments (under different scenarios), if non-legally enforceable sponsor support was to be included on the HBS? If not, what</b></p>	



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	<p><b>alternative would you suggest?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>If non-legally sponsor support were to be recognized in the HBS, best estimate of expected future sponsor support payments according to different scenarios should be taken into account. It should be possible to only show non-legally enforceable sponsor support in case legally enforceable sponsor support seems to be insufficient.</p>	
Q30	<p><b>Q30: Do stakeholders agree that these are the two options for valuing off-balance capital instruments? If not, what alternative options would you suggest?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>We agree.</p>	
Q31	<p><b>Q31: Which option do you support? Please explain why you support this option.</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management.</i></p>	

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	<p><i>Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>Option 2 is very valuable but is too complex for Belgian IORPs which are small and medium sized. Due to reasons of practicality we prefer option 1.</p>	
Q32	<p><b>Q32: Do stakeholders agree that surplus funds should be valued for their nominal value? If not, how would you suggest to value surplus funds?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>We agree.</p>	
Q33	<p><b>Q33: Do stakeholders agree that these are the three options for valuing subordinated loans? If not, what alternative options would you suggest?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>We agree.</p>	

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<p>Q34</p>	<p><b>Q34: Which option do you support? Please explain why you support this option.</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>Option 2 is very valuable but is too complex for Belgian IORPs which are small and medium sized. Due to reasons of flexibility and practicality we prefer option 3.</p>	
<p>Q35</p>	<p><b>Q35: Do stakeholders agree with these two approaches to valuing benefit reduction mechanisms? If not, what alternatives or amendments would you suggest?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>Yes, but we fear the order to determine which item is approached as balancing item might depend on the national legislation. Furthermore ex-ante benefit reductions might require a different approach as ex-post benefit reductions or benefit reductions in case of sponsor default. More guidance regarding this ranking is needed.</p>	
<p>Q36</p>	<p><b>Q36: Do stakeholders agree that at the EU level, there should only be a principle based approach to valuing sponsor support with the specifics being left to member states/supervisors and/or IORPs?</b></p>	

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We very much welcome this approach. Member states/supervisors better understand the specificities of the system and the possible link with national regulation which might help to determine the most adequate approach without being forced to a non-fitting "one size fits all" solution.

**Q37: Do stakeholders agree with the overarching principle that the valuation of sponsor support should be market consistent? If not, what principle(s) would you suggest?**

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We are not convinced that a market to market approach is the most appropriate for IORPs. IORPs per definition have long term liabilities. Valuing those engagements at market value means a lot of volatility is introduced which most probably might result in short term management actions which on the longer run are not in the interest of the member's retirement benefits.

We still question the "market consistent" valuation of sponsor support which is mainly done based on incomplete market data. Therefore BAPI welcomes the suggested simplifications, like the sponsor support valued as balancing item and set against M times the sponsor's strength.

Q37

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<p>Q38</p>	<p><b>Q38: Do stakeholders agree that in order to achieve this market-consistent valuation, the expected cash flows required by the IORP should be valued allowing for affordability and credit risk of the sponsor? If not, what approach(es) would you suggest?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>The law of the large numbers tells us that the average of the results obtained from a large number of trials should be close to the expected value, and will tend to become closer as more trials are performed. As such it seems strange to rely on a value of sponsor support knowing that the figure is obtained by use of incomplete data to determine the credit risk and by applying this credit risk on one single sponsor only. This seems to generate an artificial number giving no guarantee that the actual value will be close to the expected value. This approach only makes sense if it is used as a draft risk indicator and not as an accurate value as such.</p> <p>Our suggestion would be to determine the sponsor support by default as the balancing item and to assess the sustainability/affordability afterwards either by use of an accurate valuation or by applying a simplified approach like for instance by use of PwC's suggestion to use M times the sponsor's strength.</p>	
<p>Q39</p>	<p><b>Q39: What is the general view of stakeholders with regard to sponsor support as a balancing item?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management.</i></p>	

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	<p><i>Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>This idea is very much welcomed by smaller and medium sized IORPs. This will often avoid complex calculations as well as costs for professional knowledge and expertise. It can be considered to make this the default option.</p>	
Q40	<p><b>Q40: Which conditions should apply for sponsor support to be treated as a balancing item?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>We believe that the use of the balancing item approach should be as flexible as possible. Currently we understand that the balancing item approach for sponsor support can only be used in case of unlimited sponsor support and if no ex-ante benefit reduction mechanisms exist.</p> <p>We would keep the existing principles of proportionality: based on sponsor default rate, based on sponsor strength, in case of the existence of a pension protection scheme. Other alternatives should be possible as well – we believe it is up to the national supervisory authority to take a final agreement on the suggested approach.</p>	
Q41	<p><b>Q41: Are there other cases beyond the cases mentioned above in which sponsor support could be treated as a balancing item?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles</i></p>	

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	<p><i>focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>We believe other situations might justify using sponsor support as a balancing item: parental or governmental guarantees, industry wide schemes which might be a combination of individual sponsors with a risk sharing mechanism on top, etc....</p>	
Q42	<p><b>Q42: Do stakeholders have a view as to what value of M would be appropriate?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>The PwC report suggested M equals 2. Further research might be needed.</p>	
Q43	<p><b>Q43: Do stakeholders think a pension protection scheme could in principle be considered as impacting on sponsor support to allow it to be a balancing item if it is considered financially strong and based on a sufficiently permanent and certain legal arrangement?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that</i></p>	

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	<p><i>BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>This is anyway the purpose of a pension protection scheme. We agree with the requirements to take the pension protection scheme into account. Although we believe the pension protection scheme is a balancing item of “last resort”, so after possible ex-ante benefit reduction mechanisms and after sponsor support.</p>	
Q44	<p><b>Q44: Should considering a pension protection scheme as a balancing item be restricted to cases where a pension protection scheme protects 100% of benefits or is it appropriate to allow for the reduction in benefits in case of sponsor default where there is a pension protection scheme in place?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI’s view, BAPI answers EIOPA’s questions in order to provide constructive input for EIOPA’s further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>We have no comment.</p>	
Q45	<p><b>Q45: Do stakeholders believe that it is appropriate that where a pension protection scheme is used as the balancing item, a separate minimum level of funding with financial assets and/or sponsor support should be required?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI’s view, BAPI answers EIOPA’s questions in order to provide constructive input for EIOPA’s further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p>	



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	<p>No, we believe the HBS should be a risk management tool only. As such the current IORP I funding level is fair enough.</p>	
<p>Q46</p>	<p><b>Q46: Do stakeholders agree that technical specifications should allow for a principles-based, IORP specific valuation of sponsor support? Please explain.</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>Yes. A principle based approach give some structure at one hand but also allows IORPs, with a coordinating role for the member states/national control authorities, to adopt calculations to the specific characteristics of their own situation, their own way of organizing pensions, their specific environment including national regulation and national social security systems.</p> <p>From the previous QIS exercise we learned that a "one size fits all" approach results in very complex calculations in order to incorporate all specificities across the EU even if they are only useful for a few IORPs. A principle based approach with a lot of maneuver space to each member state/national control authorities might make the calculations more feasible for each of the IORPs, including the smaller and medium sized. Stochastic approaches might be more accurate but are too complex and too costly for most of the IORPs, therefore we welcome the many more practical approaches in this consultation document including the balancing item approach which makes most sense.</p>	
<p>Q47</p>	<p><b>Q47: In what areas of valuation of sponsor support would it be most useful for EIOPA to specify guidance? Please explain and describe the possible contents of such guidance.</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective,</i></p>	

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	<p><i>BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>We believe not EIOPA but the national control authority is best placed to provide guidance about the ranking of the different balancing item approaches, the proportionality principles, further assessment of sponsor support, etc.... We believe for those IORPs which would like to use the stochastic valuation, more guidance is needed on the different areas where complex modelling is required. For reasons of proportionality, this is of less importance for the Belgian IORPs.</p>	
Q48	<p><b>Q48: Are there any other issues in relation to stochastic models, which you believe should be covered?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>For reasons of proportionality, this is of less importance for the Belgian IORPs.</p>	
Q49	<p><b>Q49: Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management.</i></p>	

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	<p><i>Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>This simplification is still seen as rather complex. The complexity comes from the input data.</p>	
Q50	<p><b>Q50: As EIOPA has provided a model for IORPs to derive a value using this specification as long as they provide the above input data, what more should EIOPA do to encourage use of this approach where appropriate?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>An approach to capture probabilities of default and maximum sponsor support for more complex IORPs is missing.</p>	
Q51	<p><b>Q51: Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p>	

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	<p>This QIS2 approach is more doable than the QIS1. The out coming result should be seen as an estimate for the value of the sponsor support only and not as a hard core value.</p> <p>As this method uses data which is assumed as rather static, we feel this valuation method is only valuable for stable and mature companies.</p>	
Q52	<p><b>Q52: As EIOPA has provided a model for IORPs to derive a value using this specification as long as they provide the above input data, what more should EIOPA do to encourage use of this approach, where appropriate?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>We are still missing solutions for situations where credit rating/affordability data is incomplete or totally missing. Also in these situations some options should be available.</p>	
Q53	<p><b>Q53: Do stakeholders believe that this approach is a suitable simplified method for determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p>	

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	<p>This needs further analysis and testing by some IORPs. For the Belgian IORPs in general it was seen as too complicated.</p>	
Q54	<p><b>Q54: Should EIOPA produce spreadsheets to enable IORPs to use this simplification?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>In case further analysis and testing generates a positive outcome it would be welcomed EIOPA produces spreadsheets to enable IORPs to use this simplification.</p>	
Q55	<p><b>Q55: Do stakeholders believe that this approach is a suitable method for determining sponsor support? In what circumstances is it appropriate? In what circumstances is it not appropriate?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>The ASA approach is a pragmatic way to capture the value of sponsor support, especially for small and medium sized funds. Further work is needed to avoid cliff effect (more granularity), to capture complex IORP structures (more EIOPA/national guidance). All depends on how the value</p>	

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	of sponsor support will be used in the HBS and if the HBS is used as a supervisory tool, what supervisory actions could be linked to it.	
Q56	<p><b>Q56: Do the proposed adaptations to this option overcome the criticisms? Should EIOPA produce spreadsheets to enable IORPs to use this simplification?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>Proposed adaptations seem to be an improvement. Spreadsheets to use the simplifications are welcomed.</p>	
Q57	<p><b>Q57: Do stakeholders agree that a simplified one-size-fits-all approach for the calculation of maximum sponsor support is not possible and so the best approach is the proposed principles-based approach for including sponsor affordability? If not, please explain.</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>We agree.</p>	
Q58	<p><b>Q58: In respect of a further quantitative impact assessment, would stakeholders like EIOPA to define the parameters to use for maximum sponsor support? If yes,</b></p>	

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	<p><b>how could EIOPA improve the approach set out in the previous QIS?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>EIOPA should define the principles and guidance for calculation of the maximum sponsor support for different type of IORPs, including the more complex situations.</p>	
Q59	<p><b>Q59: Do stakeholders think that other options should be considered to determine a value to be used to assess overall sponsor affordability?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>The options as presented already give an idea of the strength of the sponsor support. Nevertheless it is important to stress that valuing maximum sponsor support can only be seen as an indicator of current affordability which can differ from the willingness and which might evolve substantially over time. To value the maximum sponsor support IORPs can only rely on publicly available information which means some important elements might be ignored (e.g. sponsor's investment plans, future mergers &amp; acquisitions, ...).</p>	
Q60	<p><b>Q60: Do stakeholders believe that the approaches presented cover the full range of possibilities to estimate sponsor default probabilities? If not, what specific</b></p>	

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**alternative approaches would stakeholders suggest?**

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This area still seems to be understudied. The initiative taken by the UK PPF is certainly a possible approach. What has been suggested by EIOPA so far will work very well for the rated companies, for the 1-1-1 (1 sponsor, 1 pension scheme, 1 IORP) situations but might be less evident for more complex situations.

**Q61: What in the stakeholders' view is the appropriate time period on which to consider possible payments from sponsors for the calculation of sponsor support? Please explain.**

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Linking the time period to a recovery plan would mean that you require additional sponsor support in stressed periods. From this perspective it would be better to link the value of the sponsor support to the duration of the liabilities.

Q61

**Q62: Please provide your views on this suggested approach.**

Q62



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	<p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>The weakness of this approach is the fact that an IORP has no view on other sponsor's engagements: credits, leases, other IORPs, funding position in other IORPs, etc....</p>	
Q63	<p><b>Q63: Are there any other suggestions on how to deal with single sponsors with multiple IORPs?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>The suggestions are workable in the scenario that the IORPs have full access to all this information. We believe this is not always the case (e.g. multinationals, ...)</p>	
Q64	<p><b>Q64: Please provide your views on this suggested approach.</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that</i></p>	

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	<p><i>BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>Making use of the total wages as indication for the relative scale of the IORP is a welcomed approach. Taking the five largest or a sample of companies within an industry wide IORP can only work if the industry is homogeneous, which is not always the case.</p>	
Q65	<p><b>Q65: Are there any other suggestions on how to deal with multiple employer IORPs?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>We would suggest to first assess the materiality of the IORPs funding needs by comparing those to the total wages. Only if this exceeds a certain %, we can consider the contribution needs as material and make further assessments as suggested.</p>	
Q66	<p><b>Q66: Please provide your views on this suggested approach.</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>The same comment as on sponsor with multiple IORPs. The required data is not available for IORPs: the IORP will know the guarantor but does not have any view on the other commitments</p>	

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	made by the guarantor. As such it becomes difficult to avoid multiple gearing.	
Q67	<p><b>Q67: Please provide your views on this suggested approach.</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>It is questionable if the same mechanisms to define the probability of default ratios apply. Often these institutions are backed by other either explicit or implicit supporting mechanisms: tax support, regional/governmental guarantors, etc... How to deal with these?</p>	
Q68	<p><b>Q68: Are there any other suggestions on how to deal with not-for-profit entities?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>Further analysis is needed based on input of these specific IORPs.</p>	
Q69	<p><b>Q69: Do stakeholders agree with the above comments on the options to value pension protection schemes? If not, please explain.</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management.</i></p>	

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	<p><i>Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>As this is not applicable for Belgian IORPS, we have no further comment.</p>	
Q70	<p><b>Q70: Which of the options to value pension protection schemes do stakeholders prefer?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>As this is not applicable for Belgian IORPS, we have no further comment.</p>	
Q71	<p><b>Q71: Do stakeholders think a pension protection scheme could in principle be considered a balancing item on the HBS, if considered as a separate asset on the HBS?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>As this is not applicable for Belgian IORPS, we have no further comment.</p>	

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**Q72 :If it was decided to establish EU capital/funding requirements as part of pillar 1, would there in the stakeholders' view be a role for the HBS? Please explain why and, if yes, what that role should be.**

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If it was decided to establish new harmonized EU capital/funding requirements, than we believe the HBS has a role. Under this scenario it is important that besides the financial assets, the sponsor support and the pension protection schemes can be used to cover the funding/capital requirements.

As stated before, we do not believe in a harmonization of capital/funding requirements across EU. Such approach would totally ignore the variety of pension systems and their broader environment in the different EU Member States.

Furthermore we believe the HBS approach is too immature and the consequences of the HBS are still too understudied to use the HBS to set funding/capital requirements. The market consistent approach to the HBS is acceptable from a theoretical point of view, but in practice the notion "market" does not always exists for every sponsor/IORP relation (e.g. non rated, multi-employer, local subsidiary of multinational group, etc....). This makes the determination of the probabilities of defaults rather arbitrary which in the end makes the value for the sponsor support in the HBS artificial and questionable. We fear the impact of the HBS might be very negative and may lead to a dismantling of pension schemes/occupational pension accrual, a further shift of risk towards members and beneficiaries (DB to DC) and a declining offer of long term investment with negative consequences on development and growth.

Therefore we see the HBS more as one of the possible risk management tools. Especially for small

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	and medium sized IORPs other methods (like ALM studies, stress tests, etc...) might be more appropriate.	
Q73	<p><b>Q73: Do stakeholders believe that the HBS should be used as a risk management tool as part of pillar 2 requirements? Please explain.</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>The HBS might be used as risk management tool for IORPs but is for reasons of proportionality it is not suitable for all IORPs. For most small and medium sized IORPs, other tools such as ALM studies, Continuity Tests and Stress Tests might be more appropriate.</p>	
Q74	<p><b>Q74: Do stakeholders agree that the outcomes of a pillar 2 assessment should be publicly disclosed as part of pillar 3 requirements?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>No, we believe the outcome of a risk management assessment is information for the administrative, management or supervisory body and the supervisory authority only. Making the results of the HBS publicly available might lead to misinterpretations, misleading information and can have financial consequences especially for listed sponsors.</p>	

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	<p>Neither a disclosure to members and beneficiaries is preferable as the HBS is too complex and might lead to wrong conclusions (either too optimistic or too pessimistic) as based on “best effort” estimations rather than hard core figures unless we would force every IORP in very complex and costly stochastic modelling, which is not feasible for the small and medium sized IORPs.</p>	
Q75	<p><b>Q75: Do stakeholders agree that competent authorities should be empowered to take supervisory action based on the pillar 2 assessment of the HBS? Please explain and, if yes, what action?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI’s view, BAPI answers EIOPA’s questions in order to provide constructive input for EIOPA’s further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>No. Besides other tools which might be more appropriate for small and medium sized IORPs, the HBS can be used as a risk tool to support the adequacy and sustainability check of the funding/capital requirements of the pension scheme. IORPs can use the results of the risk management tools such as the HBS and/or other tools to give the supervisor more comfort about the sustainability of the pension scheme but the supervisory action should be based on the funding/capital requirements as defined by the Member State.</p>	
Q76	<p><b>Q76: Which of the two options for recognizing non-legally enforceable sponsor support do stakeholders support? Please explain why you support this option.</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent</i></p>	

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	<p><i>turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>Assuming the HBS will be used as a risk management tool, we prefer option 1, to include non-legally enforceable sponsor support on the HBS. Although we believe that for reasons of proportionality not all IORPs can be forced to use complex models to value this non-legally enforceable sponsor support, especially not if the funding position is as such that there is no need for non-enforceable sponsor support. Due to transfer pricing local subsidiaries of multinational groups might lack of sponsor support. Especially these sponsors should be enabled to bring in non-legally enforceable sponsor support on the HBS.</p>	
Q77	<p><b>Q77: Which of the two options for recognizing pension protection schemes do stakeholders support? Please explain why you support this option.</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>As this is not applicable for Belgian IORPS, we have no further comment.</p>	
Q78	<p><b>Q78: Do stakeholders agree that pure discretionary benefits should not be included on an IORP's pillar 1 balance sheet, as these do not represent a part of the benefit promise that needs to be protected by quantitative requirements? If not, what alternative options would you suggest?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as</i></p>	



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	<p><i>Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>We agree.</p>	
Q79	<p><b>Q79: Which of the three options for recognizing mixed benefits do stakeholders support? Please explain why you support this option.</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>From a risk management perspective, it might make sense to include a valuation for mixed benefits according to option 1 or 3 in the HBS, although there might be good reasons such as proportionality reasons, even for a risk assessment, especially for smaller and medium sized funds, not to include these mixed benefits as suggested in option 2.</p>	
Q80	<p><b>Q80: Which of the three options for recognizing benefit reduction mechanisms do stakeholders support? Please explain why you support this option.</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p>	

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	We prefer option 3 which includes all kind of benefit reduction mechanisms.	
Q81	<p><b>Q81: Are there any additional options that stakeholders believe should be considered?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>In our view there are no other options to consider.</p>	
Q82	<p><b>Q82: Do stakeholders agree that off-balance capital instruments should always be eligible to cover the SCR? If not, what alternative options would you suggest?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>We agree.</p>	
Q83	<p><b>Q83: Do stakeholders agree that surplus funds should always be recognized on an IORP's balance sheet and could always be used to cover capital requirements? If not, how would you suggest to treat surplus funds in this respect?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective,</i></p>	

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	<p><i>BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>We agree.</p>	
Q84	<p><b>Q84: Do stakeholders agree that subordinated loans should always be recognized on an IORP's balance sheet and could, bar possible future decisions to introduce restrictions, be used to cover capital requirements? If not, how would you suggest to treat subordinated loans in this respect?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>We agree.</p>	
Q85	<p><b>Q85: In the stakeholders' view should the minimum requirement for the level of liabilities to be covered with financial assets be based on the Level A technical provisions or the Level B best estimate of technical provisions? Please explain.</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input</i></p>	

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*for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.*

We believe the minimum requirement for the level of liabilities to be covered with financial assets should be set at national level according to the IORP I requirements. The context of occupational pensions (social security system for pension and health care, other retirement income, house ownership, sponsor characteristics, way of organizing supplementary pensions, DB, DC, funding, guarantees, ...) is too heterogeneous to justify a one size fits all approach for supervision. To avoid an EU harmonized but overly complex system with major consequences for the stakeholders, member states should be responsible for the supervisory framework based on some basic general principles set by EU.

For Belgian IORPs, the national funding requirements are more or less in line with the Level B technical provisions of the HBS. Level Band fully respects the long term nature of the IORP's liabilities.

A Level A approach would import volatility in the IORPs funding requirements and will transfer the investment focus towards short term and fixed income securities which no longer match the IORP's characteristic of long term investor. This approach would have a negative impact on the members' benefit level.

***Q86: If the Level B best estimate were to be used, in the stakeholders' view should it apply to all IORPs or should its use be restricted to IORPs which dispose of certain security and adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? Please explain.***

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Q86

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	<p>We believe the minimum level of technical provisions should be set at national level and should be in line with the actual implementation of the national competent supervisory authority of the IORP I Directive. The context of occupational pensions (social security system for pension and health care, other retirement income, house ownership, sponsor characteristics, way of organizing supplementary pensions, DB, DC, funding, guarantees, ...) is too heterogeneous to justify a one size fits all approach for supervision. To avoid an EU harmonized but overly complex system, member states should be responsible for the supervisory framework based on some basic general principles set by EU.</p> <p>Level BHBS</p>	
Q87	<p><b>Q87: In the stakeholders' view should the level of technical provisions that needs to be covered with assets (incl. security mechanisms), and that potentially serves as a basis for the SCR, be based on Level A technical provisions or on the Level B best estimate of technical provisions? Please explain.</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>To respect the IORP's long term liabilities we are convinced Level B is more appropriate.</p>	
Q88	<p><b>Q88: If the Level B best estimate were to be used, in the stakeholders' view should its use be restricted to IORPs which dispose of certain security and adjustment mechanisms, be subject to prior approval of the national supervisor or applied as a member state option? Please explain.</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management.</i></p>	

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	<p><i>Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>BAPI believes this should apply for all IOPRs as in contradiction to the Level A option, this Level B option fully recognizes the IORP as a long term investor.</p>	
Q89	<p><b>Q89: Do stakeholders believe it would be a sensible approach for member states to specify additional requirements regarding the funding with (financial) assets through national social and labour law, instead of through national prudential regimes? Please explain.</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>Different approaches can be defended as these reflect the different occupational pension environment in the different Member States. Although violation of the subsidiarity principle should be avoided. Please note, by doing so also cross border activities and possible other players on the market (life insurers) might be affected.</p>	
Q90	<p><b>Q90: Do stakeholders believe that there is scope for harmonizing the recovery period regarding the level of technical provisions to be covered with financial assets on the EU level? Please explain.</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management.</i></p>	

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	<p><i>Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>If EU would like to harmonize the recovery periods regarding the level of technical provisions with financial assets, BAPI believes these periods should be sufficiently long enough with the flexibility to Member States to opt for a more stringent approach. BAPI's preference goes to option 3 where national competent authorities determine the recovery period taking into account the specificities of the pension scheme, given national social and labour law, the affordability of the sponsor, the characteristics of the IORP (profit vs non-profit), etc...</p>	
Q91	<p><b>Q91: Do stakeholders think that the recovery period regarding the level of technical provisions to be covered with financial assets should be short or cover an extensive period of time? Please explain.</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>If EU would like to harmonize the recovery periods regarding the level of technical provisions with financial assets, BAPI believes these periods should be sufficiently long enough with the flexibility to Member States to opt for a more stringent approach. BAPI's preference goes to option 3 where national competent authorities determine the recovery period taking into account the specificities of the pension scheme, given national social and labour law, the affordability of the sponsor, the characteristics of the IORP (profit vs non-profit), etc...</p>	
Q92	<p><b>Q92: In the stakeholders' view how long should the more extensive recovery period</b></p>	

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**be and should it be restricted to IORPs which dispose of certain security and adjustment mechanisms and/or be subject to prior approval of the national supervisor? Please explain.**

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In case of an EU harmonization, we believe an extensive recovery period can be envisaged. There are situations where such long recovery periods are appropriate. In those situations, BAPI believes it would be unfair to force IORPs to shorter periods as this would most probably mean that the sponsor either will need to look for another funding , another funding vehicle or is forced to terminate the pension scheme. On top of the EU harmonized extensive recovery periods, the national supervisor should get enough guarantees and should receive the flexibility to intervene in case of no or weak security/benefit adjustment mechanisms. As explained in the previous questions, BAPI believes the third option is more appropriate.

**Q93: Do stakeholders believe that there is scope for harmonizing the recovery period for meeting the SCR on the EU level? Please explain.**

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Q93



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	<p>No there is no need to harmonize recovery periods for SCR. This would disturb pension systems in some Member States and might highly impact the IORP stakeholders, mainly sponsors and members and beneficiaries.</p>	
<p>Q94</p>	<p><b>Q94: In the view of stakeholders should the recovery period in the event of non-compliance with the SCR be short or cover a more extensive period of time? Please explain.</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>The length of the recovery period to meet the SCR is not only dependent on the broader context within a Member State but also depends on the type of business and the business plan of the sponsor. Can we ask a sponsor to skip an important investment to use the financial resources to cover the SCR knowing this might jeopardize the long term sustainability of the sponsor's business and as such the retirement benefits of the members and beneficiaries?</p>	
<p>Q95</p>	<p><b>Q95: In the view of stakeholders how long should the more extensive recovery period be and should it be restricted to IORPs which dispose of certain security and adjustment mechanisms and/or be subject to prior approval of the national supervisor? Please explain.</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that</i></p>	

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	<p><i>BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>The length of the more extensive recovery period to meet the SCR is not only dependent on the broader context within a Member State but also depends on the type of business and the business plan of the sponsor. Can we ask a sponsor to skip an important investment to use the financial resources to cover the SCR knowing this might jeopardize the long term sustainability of the sponsor's business and as such the retirement benefits of the members and beneficiaries?</p>	
Q96	<p><b>Q96: Do stakeholders agree that IORPs should be required to submit a recovery plan if capital/funding requirements are not met or should more specific supervisory responses be specified on the EU level? Please explain.</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>BAPI emphasizes there is no need to specify specific supervisory responses at EU level. Given the diversity not only in the organization of occupational pensions but also in the broader context, supervisory actions should be determined by the local competent authorities.</p>	
Q97	<p><b>Q97: What is the view of stakeholders on the potential impact of a possible future European prudential framework for IORPs on existing contractual agreements and national social and labour law?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input</i></p>	

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	<p><i>for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>Especially the financial impact to the sponsor should be limited because this can have a direct impact on the benefit plans for members and beneficiaries. Besides the impact also the transition process (grandfathering clauses, transition periods, etc...) clearly needs further investigation.</p>	
Q98	<p><b>Q98: In the stakeholders' view is there scope for transitional measures in order to mitigate the potential impact of a possible EU prudential regime on existing contractual agreements and national social and labour law?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>In order to answer this question we should better understand the impact of the possible EU prudential regime on contracts and national social and labour law. Not only the framework is still unclear (use of the HBS, Level A versus Level B, etc...) but apart of some possible scenarios so far there is no information about the future supervisory actions. Once the impact is known we can answer questions about the transition, the length of transitional measures, the grandfathering, etc... BAPI would like to emphasize that a solvency framework for IORPs as on the table today might lead to closing of DB schemes and even the winding up of IORPs.</p>	
Q99	<p><b>Q99: Do stakeholders have any general comments on (the description of) example 1?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles</i></p>	

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*focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.*

The HBS as defined in example 1 to set the funding and capital requirements is not appropriate for IORPs. As stated before, BAPI believes the HBS might be a possible risk management tool but is inappropriate to set capital requirements. BAPI believes the HBS is presented as a market consistent approach although BAPI is convinced some items on the HBS show artificial/questionable values e.g. sponsor support, pension protection schemes, risk margin, etc. The use of technical provisions at Level A in a HBS which is used to determine the level of financial assets as well as the capital requirements is not in line with the long term liabilities of an IORP. This Level A approach might be used for risk management but is inappropriate for setting capital requirements. BAPI still questions the appropriateness of the SCR and the risk margin both copy/pasted from Solvency II. The SCR is not in line with the long term nature of the IORP's liabilities (also a problem for life insurance). A risk margin is only valuable when the transferability of the liabilities could be an issue on the market, which is not the case in the context of Belgian IORPs. BAPI welcomes in this scenario non-legally sponsor support can be used but questions the inclusion of pure conditional and mixed benefits in the technical provisions. It is also unclear why pension protection schemes and some benefit reduction mechanisms are not taken into account. The recovery period is far too short given the long term nature of the liabilities and will impose drastic measures to remedy this situation as the HBS shows that at the moment all obvious methods are exhausted.

**Q100: Could example 1, in the view of stakeholders, be used for all IORPs in the EU?**

*BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as*

Q100

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*Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.*

We believe example 1 is no option for IORPs in EU. As stated in paragraph 5.177 this approach could have a severe impact on willingness of sponsors to organize occupational pensions without transferring all risks to the members and beneficiaries, on the sponsor business, and in general on the economic development and growth in the EU.

Technical provisions at Level A with recovery periods of one year seem to be unreasonable given the long term liabilities of IORPs and the benefit security mechanisms like sponsor support and pension protection schemes. As questioned in previous exercises, we do not see any relevance of the risk margin in the context of a non-profit sector. This is again a copy/paste of the Solvency II regulation which is not adequate for an IORP environment.

Not taking into account ex-post benefit reductions, benefit reductions in case of sponsor default and pension protection schemes is ignoring important mechanism in case of deteriorating situations.

Together with the negative impact of the capital requirements, imposing the , imposing the complexity, the short term approach and the artificial/questionable results of some elements of the HBS to all IORPs in the EU will jeopardize the willingness of sponsors to provide occupational pension provisioning. Therefore, we do not agree with the perception that is created as if members and beneficiaries would be very well protected. In many cases, this will only be the situation if sponsors are willing to provide substantial extra funding, if not sponsors are driven to amend the pension promise and to transfer risk to members and beneficiaries or simply to terminate the pension scheme which would mean that members and beneficiaries lose any further accrual of benefits.

We welcome that EIOPA recognizes the negative impact this example might have on long term investments and on the economic development and growth in EU.

The consistency with Solvency II is rather seen as a negative element as applying a copy/paste of Solvency II requirements would ignore the specificities of the IORP institution (not-for profit, best

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estimate engagement, triangular relationship IORP/employer/member and beneficiaries, long term investments, ...) which results in an inappropriate framework (risk margin, Var over 1 year, Level A, ....). As many of the building blocks of these scenarios were calculated during the QIS exercise, BAPI wonders if it is not feasible to provide a broad impact of each of these scenarios based on those results.

**Q101: Do stakeholders have any general comments on (the description of) example 2?**

*BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.*

The HBS as defined in example 2 to set the and capital requirements is not appropriate for IORPs. As stated before, BAPI believes the HBS might be a possible risk management tool but is inappropriate to set capital requirements. BAPI believes the HBS is presented as a market consistent approach although BAPI is convinced some items on the HBS show artificial/questionable values e.g. sponsor support, pension protection schemes, risk margin, etc. The use of technical provisions at Level B to determine the level of financial assets as well as capital requirements are more in line with the long term liabilities of an IORP. BAPI still questions the appropriateness of the SCR and the risk margin both copy/pasted from Solvency II. The SCR is not in line with the long term nature of the IORP's liabilities (also a problem for life insurance). A risk margin is only valuable when the transferability of the liabilities could be an issue on the market, which is not the case in the context of Belgian IORPs. BAPI welcomes in this scenario non-legally sponsor support can be used but questions the inclusion of pure conditional benefits in the technical provisions. It is also unclear why pension protection schemes and some benefit reduction mechanisms are not taken into account. BAPI welcomes the idea that the competence

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	to determine the recovery period is with the prudential legislation of the Member State.	
Q102	<p><b>Q102: Could example 2, in the view of stakeholders, be used for all IORPs in the EU?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>This example is more in line with the long term characteristics of the IORPs' liabilities. It is unclear why pure conditional benefits are, and pension protection schemes and some benefit reduction mechanisms are not, taken into account. Together with the negative impact of the capital requirements, imposing the complexity, the short term approach and the artificial/questionable results of some elements of the HBS to all IORPs in the EU will jeopardize the willingness of sponsors to provide occupational pension provisioning. As many of the building blocks of these scenarios were calculated during the QIS exercise, BAPI wonders if it is not feasible to provide a broad impact of each of these scenarios based on those results.</p>	
Q103	<p><b>Q103: Do stakeholders have any general comments on (the description of) example 3?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p>	

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The HBS as defined in example 3 to set funding and capital requirements is not appropriate for IORPs. As stated before, BAPI believes the HBS might be a possible risk management tool but is inappropriate to set capital requirements. BAPI believes the HBS is presented as a market consistent approach although BAPI is convinced some items on the HBS show artificial/questionable values e.g. sponsor support, pension protection schemes, risk margin, etc. The use of technical provisions at Level B to determine the level of financial assets is in line with the long term liabilities of an IORP. BAPI still questions the appropriateness of the SCR and the risk margin both copy/pasted from Solvency II. The SCR is not in line with the long term nature of the IORP's liabilities (also a problem for life insurance). A risk margin is only valuable when the transferability of the liabilities could be an issue on the market, which is not the case in the context of Belgian IORPs. BAPI questions the inclusion of pure conditional benefits in the technical provisions. It is also unclear why some benefit reduction mechanisms are not taken into account. BAPI welcomes the idea that the competence to determine the recovery period is with the prudential legislation of the Member State.

**Q104: Could example 3, in the view of stakeholders, be used for all IORPs in the EU, taking into account national specificities?**

*BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.*

BAPI cannot judge on the feasibility to use this example for all IORPs in the EU. For Belgian IORPS this approach seems to be too complex, too costly. Together with the negative impact of the capital requirements, imposing the complexity, the artificial/questionable results of some elements of the HBS to all IORPs in the EU will jeopardize the willingness of sponsors to provide occupational pension provisioning. As many of the building blocks of these scenarios were

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	<p>calculated during the QIS exercise, BAPI wonders if it is not feasible to provide a broad impact of each of these scenarios based on those results.</p>	
<p>Q105</p>	<p><b>Q105: Do stakeholders have any general comments on (the description of) example 4?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>The HBS as defined in example 4 to set funding and capital requirements is not appropriate for IORPs. As stated before, BAPI believes the HBS might be a possible risk management tool but is inappropriate to set capital requirements. BAPI believes the HBS is presented as a market consistent approach although BAPI is convinced some items on the HBS show artificial/questionable values e.g. sponsor support, pension protection schemes, risk margin, etc. The use of technical provisions at Level B in a HBS to determine the level of financial assets is in line with the long term liabilities of an IORP. BAPI still questions the appropriateness of the SCR and the risk margin both copy/pasted from Solvency II. The SCR is not in line with the long term nature of the IORP's liabilities (also a problem for life insurance). A risk margin is only valuable when the transferability of the liabilities could be an issue on the market, which is not the case in the context of Belgian IORPs. BAPI questions the inclusion of pure conditional in the technical provisions. It is also unclear why pension protection schemes and some benefit reduction mechanisms are not taken into account. BAPI questions, given the subsidiarity principle, if EU legislation can impose Member States to include rules about the recovery plan in national social and labour regulation.</p>	
<p>Q106</p>	<p><b>Q106: Could example 4, in the view of stakeholders, be used for all IORPs in the EU?</b></p>	

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*BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.*

BAPI cannot judge on the feasibility to use this example for all IORPs in the EU. For Belgian IORPS this approach seems to be too complex, too costly. Together with the negative impact of the capital requirements, imposing the complexity, the artificial/questionable results of some elements of the HBS to all IORPs in the EU will jeopardize the willingness of sponsors to provide occupational pension provisioning.

As many of the building blocks of these scenarios were calculated during the QIS exercise, BAPI wonders if it is not feasible to provide a broad impact of each of these scenarios based on those results.

**Q107: Do stakeholders have any general comments on (the description of) example 5?**

*BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.*

The HBS as defined in example 5 might be used as a risk management tool but is inappropriate to set the funding requirements. Besides HBS other more appropriate approaches for risk management are available. The use of technical provisions at Level A in a HBS which is used to

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determine the level of financial assets is not in line with the long term liabilities of an IORP. This Level A approach might be used for risk management. BAPI still questions the appropriateness of the SCR and the risk margin both copy/pasted from Solvency II. The SCR is not in line with the long term nature of the IORP's liabilities (also a problem for life insurance). A risk margin is only valuable when the transferability of the liabilities could be an issue on the market, which is not the case in the context of Belgian IORPs. BAPI regrets the full Level A technical provision has to be covered with financial assets and questions the inclusion of pure conditional and mixed benefits in the technical provisions. It is also unclear why sponsor support, pension protection schemes and some benefit reduction mechanisms are not taken into account.

**Q108: Could example 5, in the view of stakeholders, be used for all IORPs in the EU?**

*BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.*

We believe example 5 is no option for IORPs in EU. Given financial assets need to cover an (increased) minimal Level A, this scenario could have a severe impact on willingness of sponsors to organize occupational pensions without transferring all risks to the members and beneficiaries, on the sponsor business, and in general on the economic development and growth in the EU. Technical provisions at Level A seem to be unreasonable given the long term liabilities of IORPs and the benefit security mechanisms like sponsor support and pension protection schemes. As questioned in previous exercises, we do not see any relevance of the risk margin in the context of a non-profit sector. This is again a copy/paste of the Solvency II regulation which is not adequate for an IORP environment.

HBSAs many of the building blocks of these scenarios were calculated during the QIS exercise,

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	BAPI wonders if it is not feasible to provide a broad impact of each of these scenarios based on those results.	
Q109	<p><b>Q109: Do stakeholders have any general comments on (the description of) example 6?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>No comment.</p>	
Q110	<p><b>Q110: Could example 6, in the view of stakeholders, be used for all IORPs in the EU?</b></p> <p><i>BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.</i></p> <p>If IORPs are not imposed to use the HBS as risk management tool, BAPI believes example 6 is the most workable across the EU. Under this scenario a general principle based framework to define the funding requirements is set at EU level, being the disposals under the current IORP I Directive. Member States have the flexibility to adapt these funding requirements as well as the capital requirements which allow them to take into account the broader national context.</p> <p>The HBS concept might be used as an extensive risk management tool in order to address the</p>	

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sustainability of the pension promise. For proportionality reasons, BAPI states that besides the HBS other less complex and less costly tools should be enabled as well.  
As many of the building blocks of these scenarios were calculated during the QIS exercise, BAPI wonders if it is not feasible to provide a broad impact of each of these scenarios based on those results.

**Q111: Do stakeholders agree that there is scope for simplifications with regard to drawing up the HBS? Which simplifications would you consider most important and in which situations?**

*BAPI states there is no need for the HBS to set funding and capital requirements for IORPs across EU. In this perspective, BAPI pleads for a continuation of the IORP I Directive, being a minimal harmonization based on general principles focusing on engagements taken and risks borne by the IORP. The HBS might be an adequate tool for risk management. Although due to proportionality reasons we believe for small and medium sized IORPs more appropriate tools such as Asset Liability Modelling, Continuity Tests or Stress Tests exist and have already proven their adequacy during the recent turbulent financial years. Despite this BAPI's view, BAPI answers EIOPA's questions in order to provide constructive input for EIOPA's further work on solvency for IORPs. It must be clear that it is not because BAPI answers the question that BAPI supports the HBS as a supervisory/transparency concept for IORPs because we do not.*

BAPI very much welcomes the balancing item approach for the calculation of sponsor support. Nevertheless BAPI wants to emphasize that besides the holistic balance sheet other risk management tools should be recognized as well: ALM studies, stress tests, etc... Prudential legislation at EU level has to set a minimal standard. BAPI believes this standard should just take into account assets and unconditional liabilities. This allows Member States to use the EU regulation as a starting point and to set national funding and capital requirements more adapted to the local (broader) context. IORPs should be allowed to do their proper risk management taking account of their proper needs in terms of frequency, methodology and models.

Q111