Comments Template on Consultation Paper on Further Work on Solvency of IORPs		Deadline 13 January 2015 23:59 CET
Name of Company:	CEEMET	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
	Please follow the following instructions for filling in the template: ⇨ Do **not** change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇨ Leave the last column empty. ⇨ Please fill in your comment/response in the relevant row. If you have no response to a question, keep the row empty. ⇨ Our IT tool does not allow processing of comments/responses which do not refer to the specific numbers below. **Please send the completed template, in Word Format, to CP-14-040@eiopa.europa.eu . Our IT tool does not allow processing of any other formats.** The numbering of the questions refers to **Consultation Paper on Further Work on Solvency of IORPs**.	
Reference	**Comment**	
General Comment	**CEEMET (Council of European Employers of the Metal, Engineering and Technology-Based Industries) is the European employers' organisation representing the interests of the metal, engineering and technology-based industries. Through its national member organisations it represents 200 000 companies across Europe. The vast majority of them are SMEs, providing over 35 million direct and indirect jobs.**	

Template comments

	CEEMET strongly disputes that there is any need for further EU-level reform of the solvency of IORPs, as contemplated by the consultation. Whilst the transparency and governance of IORPs is capable of further, proportionate, improvement, and such work is well advanced and supported, such institutions are already well structured social schemes overseen by the social partners. Their future development is therefore from a current postion of being well-governed and responsible vehicles for the provision of retirement incomes . We also believe that, given the diversity of pension arrangements across the European Union, it is inappropriate to search for a single approach at EU-level. In line with the subsidiarity principle, a revision of the IORP Directive including solvency requirements or the revision of the supervisory regime in the direction of a Holistic Balance Sheet (HBS), would not be appropriate and would be highly damaging. EIOPA has acknowledged that workplace pension schemes and insurance products are inherently different. The providers of IORPs, who are generally employers, do not operate in the same market as insurers and occupational pensions are accessed by the labour market, not the financial products market. They generally operate on a not for profit basis, represent a considerable investment by employers and are a social partner benefit provided to employees whilst employed by a specific employer only. They also have a very different risk profile and there are mitigating mechanisms for managing that risk overseen by workers themselves, their representatives and employers. The obvious conclusion is therefore that occupational pension schemes require a different supervisory regime and that the type and level of supervision required of insurance providers is inappropriate for occupational schemes. However, the direction of travel set out in the structure of the HBS approach is towards a Solvency II pathway. Whilst we welcome the amendments suggested they do not go far enough and our preference remains for the HBS proposal to be withdrawn entirely. In our view the Consultation Paper proposes a solution to an ill-defined problem with enormous financial implications for the social partners. We note that EIOPA's Quantitative Impact Assessment demonstrated that the original Holistic Balance Sheet proposal would	

	have increased scheme deficits in the UK alone by £150 billion. CEEMET does not support any approach without an overwhelming evidence base which clearly requires IORPs to raise such huge amounts of additional funds. This evidence does not currently exist. CEEMET is also greatly concerned that a revised approach to the regulatory regime suggested by the Consultation Paper would lead to a very significant rise in the technical provisions applying to IORPs and hence the costs of providing them. The prospect of further revision to the funding regime is creating considerable instability for employers. This climate of uncertainty, now stretching back over years, undermines employers' confidence in their ability to plan for the long-term and leads to employers revisiting their commitment to continuing to offer workplace pensions of the kind which would be affected by this consultation. For these employers, they are concerned about the future impact on their investment plans for jobs, growth and capital infrastructure at a time when Europe is asking the same businesses to increase their level of investment. The likely future consequences of increasing the cost of providing occupational pensions will be that fewer workers will be offered the opportunity of participating in them. However, with significant pressure on pillar one pensions, which can only increase over time, occupational pensions are likely to only increase in their future importance. EIOPA should therefore actively consider supporting occupational pensions and should be very slow at considering any further measures which reduces the ability of employers to provide them. Unfunded pillar one pensions, which currently exist in a number of member states, simply create an illusion of safe and sustainable retirement incomes for workers. Further, continuing uncertainty about the scale of revisions to the supervisory regime itself has the potential to have a significant detrimental impact upon wider economic activity in our sector and risks triggering changes in employer behaviour as they anticipate a significant worsening of the regulatory environment. This is likely to negatively impact upon the provision of occupational pensions as well as general business confidence. Consequently, and in summary, CEEMET reiterates its long-held view that further reform	

	of the supervisory and funding arrangements runs a real risk of creating an illusory 'pension security' only, as employers will be compelled to reconsider their commitment to workplace pensions affected by this consultation in light of the significant, adverse, fincancial consequences which they may ultimately face. Also, the financial impact on many companies could result in them ceasing to be profitable, risking reduced investment in jobs, skills and Research and Development, and even business closure. The overall impact will be one of reduced overall employer investment in workplace pensions. The HBS initiative is, therefore, highly unlikely to foster more sustainable pension saving and provision. Therefore, we urge EIOPA to defer the work which is the subject of this Consultation Paper, and which is being undertaken without any social partner or other mandate from any representative body. We are also mindful that a robust system of risk management and protection for scheme members' benefits is already in place for the workplace pensions affected by this consultation, robustly overseen by the social partners. It has been stress-tested by valuation rounds carried out by independent professional experts against the backdrop of a deep recession and has withstood that challenge. In conclusion therefore we oppose any fundamental review of a system that has been tried and tested through such difficult times without a clear rationale for doing so.	