

Comments Template on Consultation Paper on Further Work on Solvency of IORPs		Deadline 13 January 2015 23:59 CET
Name of Company:	Compass Group PLC	
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"> ⇒ 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 <u>empty</u>. ⇒ 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>. ⇒ Our IT tool does not allow processing of comments/responses which do not refer to the specific numbers below. <p>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.</p> <p>The numbering of the questions refers to Consultation Paper on Further Work on Solvency of IORPs.</p>		
Reference	Comment	
General Comment	<p><u>About Compass Group PLC</u></p> <p>Compass Group is one of the world's leading foodservice and support services companies with annual revenue of £17 billion operating in over 50 countries. It sponsors defined benefit pension plans for the benefit of certain current and past employees which collectively have future obligations in excess of £2 billion.</p> <p><u>This consultation is not the right priority for EIOPA</u></p> <p>Given that the EU Commission indicated in May 2013 that it did not intend to proceed with Pillar I funding requirements as part of the current review of the IORP directive, we are very disappointed that EIOPA is nevertheless continuing with work on the</p>	

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holistic balance sheet on its 'own initiative' without the EC's mandate.

We do not believe that this is the right priority for EIOPA to be pursuing. EIOPA's focus should be on ensuring that citizens across the EU have access to adequate and sustainable pensions, not on devising a methodology that could impose substantial cost burdens on one particular type of pension scheme found in only some member states (namely defined benefit IORPs). We therefore believe that EIOPA should drop its work on the holistic balance sheet altogether.

Given the increasing trend towards defined contribution pension provision, a much better focus would be on developing a framework for strong principles-based defined contribution governance standards across the EU. The UK has already been involved in developing its own governance regime, which could contribute to the development of best practice guidance across Europe.

Solvency funding would be damaging for pensions, sponsors and the economy

Compass Group is opposed to the idea of applying a regime based on Solvency II to IORPs (and to the use of the holistic balance sheet as a mechanism for applying such a regime). We believe that this will be damaging to the provision of pensions to employees, leading to the closure of defined benefits IORPs to future accrual and the provision of lower quality pensions in future. It would also discourage other countries from establishing defined benefit provision. We believe that this cuts directly against the EC's goal of ensuring adequate pension provision across the EU.

The application of a solvency regime to pensions would also have very damaging consequences for employers sponsoring pension schemes, who could see increased funding deficits and higher contribution demands, which would leave them with lower assets to invest in growth and jobs. Furthermore, if European companies are compelled to divert a substantial amount of their capital into funding their pension schemes on a solvency basis, it is likely to mean that they will be unable to compete effectively with non-European companies.

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As well as the effect on individual sponsors, the introduction of a solvency regime could also have substantial impacts on the economy as a whole with pension schemes likely to reduce their holdings in equities in favour of debt investment. This and could lead to significant market distortions and runs counter to the EU's current focus on encouraging long-term market investment.

EIOPA should be aware that the impact of implementing its holistic balance sheet could go far beyond individual pension schemes. A full impact assessment would be needed before any steps could be taken on any of the options in the consultation paper to identify possible impacts on pension schemes and sponsoring employers, and also on wider long-term investment trends.

Sponsor support cannot be valued as a single figure

One of the aims of the consultation is to arrive at a methodology to put a single number on the support provided to an IORP by an employer. We believe this to be an essentially misguided aim.

The support provided by an employer to a scheme varies depending on the individual scheme, the individual employer or employers, and on the situation of both the scheme and the employer(s). For example, the support provided in the event that the scheme is to be wound up is different from that being provided where the scheme is being run on an ongoing basis with contributions continuing to come in.

In the UK, the assessment of sponsor support forms a key part of funding negotiations. Trustees will have access to information of various kinds to enable them to assess that support, ranging from quantitative metrics to more qualitative assessments of the employer's future business prospects and commitment to the pension scheme. Any attempt to reduce this complex array of information to a single number is bound to produce results that are spurious and misleading.

Such a single figure would ignore, for example, subtleties such as negative pledges and dividend policies, which may well provide significant protection that funding will be available to a pension scheme in the long term without being captured at all by the

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single figure approach. Covenant assessment requires the exercise of expert judgement in specific circumstances, rather than blind reliance on a model to produce a single number.

Further, the existence of a single figure for the commitment of an employer to their pension scheme would inevitably feed into the rating agencies' assessments of a company's strength. Whilst we accept that it is right that an employer's commitment to their pension scheme should form part of an assessment of a corporate's financial position, we believe that there is a risk that the number calculated under the holistic balance sheet may be misleading and lead to inappropriate reassessments of a company's financial strength, for example leading to a higher cost of capital. Alternatively, the single figure approach could lead to an undervaluing of the real risk that a pension scheme presents to the continued existence of its sponsoring employer.

In our view, an approach under which sponsor support is assessed in qualitative terms will be both more useful from the point of view of the trustees of the pension scheme, but also from the perspective of rating agencies assessing the strength of the company.

The valuation of sponsor support will be expensive

As noted above, trustees of IORPs already carry out often extensive work to assess the sponsor covenant. They are likely to continue to need to do so, even if a single figure approach is introduced by EIOPA (given that the single figure approach will not be able to replace the sophisticated assessments that currently take place).

If some of the proposals in this consultation were adopted, IORPs would therefore face the additional expense of having to carry out a separate single figure valuation of the sponsor support to plug into the holistic balance sheet. Such calculations would be time-consuming and use resources that could be better applied in improving the funding position of the IORP rather than in paying the costs of advisers.

The consultation contains some welcome options

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We believe that the holistic balance sheet would be unnecessary, expensive and probably damaging both to pension schemes and to the sponsors who provide them. We recognise, however, that EIOPA has gone some way to addressing these serious concerns by considering allowing a principles-based assessment of sponsor support and/or for sponsor support to be included in the holistic balance sheet simply as a balancing item, by proposing an option of allowing the holistic balance sheet to be used purely as a risk management tool, and by introducing the possibility of a transitional regime in the event of a holistic balance sheet being introduced.

In the event that EIOPA continues with its plans for a holistic balance sheet, we would urge EIOPA to develop these ideas further to make sure that the holistic balance sheet, if introduced, would not bring in deleterious consequences for pension schemes and the employers who sponsor them.

The case for the holistic balance sheet has not been made

However, we think that neither the European Commission nor EIOPA has still not made the case, either practically or intellectually, as to why the holistic balance sheet needs to be introduced. What are the fundamental concerns that the holistic balance sheet would be addressing? What would the consequences be of retaining the status quo?

The UK pensions regime has been resilient during tough economic conditions

In the UK, for example, the combination of a strong regulator, a practical funding regime that recognises the need of both pension schemes and their sponsoring employers, good trustee governance and the ultimate protection of the Pension Protection Fund had provided a durable and resilient framework even in the most extreme economic conditions. The holistic balance sheet could actually undermine and even conflict with strong existing requirements at member state level.

EIOPA should therefore consider the benefits of dispensing with the holistic balance sheet altogether. It is inappropriate that retaining the status quo is not even considered as one of the six examples in the last section of the consultation paper.

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	<p><u>Our response</u></p> <p>We have commented on a few of the specific questions asked by the consultation, but have not focused on the technical detail. Our silence on a particular question should not be taken as assent, nor should the fact of us responding to this consultation at all be taken as us agreeing to the concept of the holistic balance sheet or to the placing of a single value on sponsor support.</p>	
Q1	<p>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?</p> <p><i>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</i></p> <p>‘Contract’ is not an appropriate term to describe the arrangements under which pensions are provided by employers to their former employees (and reflects the fact that the terminology for the holistic balance sheet has been adopted from an insurance context in which policyholders are in a contractual relationship with the insurance company). It should be replaced with a term that recognises that pension schemes are not, in general, contracts.</p>	
Q2	<p>Q2: Do stakeholders think that the word “boundary” is suitable here?</p>	
Q3	<p>Q3: If not, please provide an expression more suitable for IORPs which could replace the expression “contract boundaries”.</p>	

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Q4	Q4: Do stakeholders have any general comments on the above section?	
Q5	<p>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)?</p> <p><i>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</i></p> <p>This does not capture the situation in the UK where the power to terminate an IORP may also reside with the sponsoring employer (either solely or by agreement with the trustees of the IORP). Such arrangements should also be included in the definition.</p> <p>It should be noted, however, that under UK legislation (section 67 of the Pensions Act 1995), it is not generally possible to modify benefits that have already accrued.</p>	
Q6	Q6: Do stakeholders agree with the analysis above of the different ways of liabilities of IORPs arising?	

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Q7	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?	
Q8	Q8: Do stakeholders agree, that, if there was a distinction as described in question Q7, “regular contributions” should be recognised in technical provisions while sponsor support should be treated separately?	
Q9	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 recognised in technical provisions of the IORP? If not, how/where should they be recognized/presented in the holistic balance sheet?	
Q10	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.	
Q11	Q11: Do stakeholders believe that the contract boundaries could be defined based on future benefit payments rather than contribution or premiums?	
Q12	Q12: Do stakeholders have any general comments on the above section?	
Q13	Q13: Do stakeholders have any general comments on the above section?	
Q14	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 recognised 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	

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	technical provisions)?	
Q15	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?	
Q16	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?	
Q17	Q17: Is the wording of the definition appropriate for IORPs?	
Q18	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)?	
Q19	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)?	
Q20	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?	
Q21	Q21: Are the cases described in parts a) and b) of the definition clearly distinguishable in practice?	
Q22	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?	

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Q23	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.	
Q24	Q24: Do stakeholders consider the above definitions workable? If not, please explain why not and how you would suggest to improve the definition(s).	
Q25	Q25: Do stakeholders have any general comments on the above section?	
Q26	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?	
Q27	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 recognised in a holistic balance sheet? If not, what alternative would you suggest?	
Q28	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 recognised in a holistic balance sheet? If not, what alternative would you suggest?	
Q29	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 holistic balance sheet? If not, what alternative would you suggest?	
Q30	Q30: Do stakeholders agree that these are the two options for valuing off-balance capital instruments? If not, what alternative options would you suggest?	

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Q31	Q31: Which option do you support? Please explain why you support this option.	
Q32	Q32: Do stakeholders agree that surplus funds should be valued for their nominal value? If not, how would you suggest to value surplus funds?	
Q33	Q33: Do stakeholders agree that these are the three options for valuing subordinated loans? If not, what alternative options would you suggest?	
Q34	Q34: Which option do you support? Please explain why you support this option.	
Q35	Q35: Do stakeholders agree with these two approaches to valuing benefit reduction mechanisms? If not, what alternatives or amendments would you suggest?	
Q36	<p>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?</p> <p><i>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</i></p> <p>Yes, we agree with a principles-based approach to the assessment of sponsor support. The recognition that 'it may not be possible to devise a one-size-fits-all methodology to the valuation of sponsor support' is a crucial and welcome development in EIOPA's thinking on the holistic balance sheet. In our view, it should be for individual IORPs to make an assessment of sponsor support, using either qualitative or quantitative methods as appropriate to their circumstances, with national supervisors maintaining scrutiny (and the possibility of intervention) where needed.</p>	

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Q37	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?	
Q38	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?	
Q39	<p>Q39: What is the general view of stakeholders with regard to sponsor support as a balancing item?</p> <p><i>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</i></p> <p>As we set out in our General Comments, we do not believe that it is appropriate to set a single value for sponsor support. Whilst we do not agree that there is any need to introduce the holistic balance sheet, if it were to be introduced, then allowing for the sponsor support to be introduced simply as balancing item would be a sensible simplification.</p> <p>The approach proposed by EIOPA would require IORPs to meet some arbitrary hurdles before they could use the 'balancing item' approach. We believe, however, that it would be more useful for the 'balancing item' approach to be the default approach and it to be for individual IORPs (under the scrutiny of their national supervisors) to take the decision as to whether any more complex valuation is required.</p>	
Q40	Q40: Which conditions should apply for sponsor support to be treated as a balancing item?	

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	<p><i>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</i></p> <p>We believe that it would be more useful for the 'balancing item' approach to be the default approach and it to be for individual IORPs (under the scrutiny of their national supervisors) to take the decision as to whether any more complex valuation is required.</p>	
Q41	Q41: Are there other cases beyond the cases mentioned above in which sponsor support could be treated as a balancing item?	
Q42	Q42: Do stakeholders have a view as to what value of M would be appropriate?	
Q43	<p>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?</p> <p><i>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</i></p> <p>We do not agree with the concept of the holistic balance sheet in the first place. If, however, a holistic balance sheet is introduced, we believe that this should recognise all sources of support, including pension protection schemes. However, we believe this is an assessment to be made at an IORP-specific level, with the IORP including sponsor support and where necessary pension protection schemes as potentially</p>	

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	balancing items.	
Q44	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?	
Q45	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?	
Q46	<p>Q46: Do stakeholders agree that technical specifications should allow for a principles-based, IORP specific valuation of sponsor support? Please explain.</p> <p><i>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</i></p> <p>Yes. However, we would go beyond this: we think that any holistic balance sheet should also allow for a principles-based, IORP-specific qualitative assessment of sponsor support.</p> <p>In the UK, the assessment of sponsor support forms a key part of funding negotiations. Trustees will have access to information of various kinds to enable them to assess that support, ranging from quantitative metrics to more qualitative assessments of the employer's future business prospects and commitment to the pension scheme. Any attempt to reduce this complex array of information to a single number is bound to produce results that are spurious and misleading.</p>	
Q47	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.	

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Q48	Q48: Are there any other issues in relation to stochastic models, which you believe should be covered?	
Q49	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?	
Q50	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?	
Q51	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?	
Q52	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?	
Q53	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?	
Q54	Q54: Should EIOPA produce spreadsheets to enable IORPs to use this simplification?	
Q55	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?	
Q56	Q56: Do the proposed adaptations to this option overcome the criticisms? Should EIOPA produce spreadsheets to enable IORPs to use this	

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	simplification?	
Q57	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.	
Q58	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, how could EIOPA improve the approach set out in the previous QIS?	
Q59	Q59: Do stakeholders think that other options should be considered to determine a value to be used to assess overall sponsor affordability?	
Q60	Q60: Do stakeholders believe that the approaches presented cover the full range of possibilities to estimate sponsor default probabilities? If not, what specific alternative approaches would stakeholders suggest?	
Q61	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.	
Q62	Q62: Please provide your views on this suggested approach.	
Q63	<p>Q63: Are there any other suggestions on how to deal with single sponsors with multiple IORPs?</p> <p><i>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</i></p>	

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	EIOPA's proposed approach on sponsors with multiple IORPs is an attempt at a very simplistic solution to what may be a very complex and sponsor-specific situation. We would suggest that the decision of an appropriate approach is left to individual IORPs (under the scrutiny of national supervisors), who will be able to determine an approach that provides a reasonable assessment of the support being provided to individual pension schemes.	
Q64	Q64: Please provide your views on this suggested approach.	
Q65	<p>Q65: Are there any other suggestions on how to deal with multiple employer IORPs?</p> <p><i>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</i></p> <p>EIOPA's proposed approach on multiple-employer IORPs is an attempt at a very simplistic solution to what may be a very complex and scheme-specific situation. We would suggest that the decision of an appropriate approach is left to individual IORPs (under the scrutiny of national supervisors), who will be able to determine an approach that provides a reasonable assessment of the support being provided to individual pension schemes.</p>	
Q66	Q66: Please provide your views on this suggested approach.	
Q67	Q67: Please provide your views on this suggested approach.	
Q68	Q68: Are there any other suggestions on how to deal with not-for-profit entities?	

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Q69	Q69: Do stakeholders agree with the above comments on the options to value pension protection schemes? If not, please explain.	
Q70	Q70: Which of the options to value pension protection schemes do stakeholders prefer?	
Q71	Q71: Do stakeholders think a pension protection scheme could in principle be considered a balancing item on the holistic balance sheet, if considered as a separate asset on the holistic balance sheet?	
Q72	<p>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 holistic balance sheet? Please explain why and, if yes, what that role should be.</p> <p>Compass Group is opposed to the idea of applying a regime based on Solvency II to IORPs (and to the use of the holistic balance sheet as a mechanism for applying such a regime). We believe that this will be damaging to the provision of pensions to employees, leading to the closure of defined benefits IORPs to future accrual and the provision of lower quality pensions in future. It would also discourage other countries from establishing defined benefit provision. We believe that this cuts directly against the EC's goal of ensuring adequate pension provision across the EU.</p> <p>The application of a solvency regime to pensions would also have very damaging consequences for employers sponsoring pension schemes, who could see increased funding deficits and higher contribution demands, which would leave them with lower assets to invest in growth and jobs. Furthermore, if European companies are compelled to divert a substantial amount of their capital into funding their pension schemes on a solvency basis, it is likely to mean that they will be unable to compete effectively with non-European companies.</p> <p>As well as the effect on individual sponsors, the introduction of a solvency regime could also have substantial impacts on the economy as a whole with pension schemes likely to reduce their holdings in equities in favour of debt investment. This runs counter to the EU's current focus on encouraging long-term market investment. EIOPA</p>	

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	<p>must be aware that the impact of implementing its holistic balance sheet could go far beyond individual pension schemes.</p> <p>We do not believe that EU capital/funding requirements should be introduced as part of Pillar I and therefore do not believe that the holistic balance sheet should be used for such a purpose.</p>	
Q73	<p>Q73: Do stakeholders believe that the holistic balance sheet should be used as a risk management tool as part of pillar 2 requirements? Please explain.</p> <p><i>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</i></p> <p>We do not believe that the case has been made for introducing a holistic balance sheet at all. However, if one is to be produced, then it is clearly preferable and less damaging to pension schemes, sponsors and the economy if these (possibly meaningless) numbers are used as part of a risk management process rather than to drive the funding of pension schemes.</p> <p>It should be noted, however, that the draft text of the revised IORP directive already contains a risk management tool in the form of the Risk Evaluation for Pensions. We believe that a qualitative assessment along the lines proposed in the Risk Evaluation for Pensions would form a much more effective tool that is better able to address the specificities of individual IORPs and sponsors.</p>	
Q74	<p>Q74: Do stakeholders agree that the outcomes of a pillar 2 assessment should be publicly disclosed as part of pillar 3 requirements?</p> <p><i>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor</i></p>	

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	<p><i>support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</i></p> <p>Once a specific holistic balance sheet calculation has been carried out, it will be difficult for companies (especially listed companies) not to disclose that (potentially market-sensitive) analysis publicly (even if it is not used for Pillar 1 funding purposes) and so we do not think it would be practical to prevent public disclosure.</p> <p>However, as noted above, we do not believe that it is appropriate to calculate a single value for sponsor support across all IORPs. If a single value were to be calculated for risk management purposes and then publicly disclosed, this number may be misleading and may either damage a company's standing, or give an inappropriately positive view of an employer's obligations to their pension scheme.</p>	
Q75	<p>Q75: Do stakeholders agree that competent authorities should be empowered to take supervisory action based on the pillar 2 assessment of the holistic balance sheet? Please explain and, if yes, what action?</p> <p>This should be left to the supervisors of individual member states to determine.</p>	
Q76	<p>Q76: Which of the two options for recognising non-legally enforceable sponsor support do stakeholders support? Please explain why you support this option.</p>	
Q77	<p>Q.77: Which of the two options for recognising pension protection schemes do stakeholders support? Please explain why you support this option.</p>	
Q78	<p>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?</p>	
Q79	<p>Q79: Which of the three options for recognising mixed benefits do</p>	

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	stakeholders support? Please explain why you support this option.	
Q80	Q80: Which of the three options for recognising benefit reduction mechanisms do stakeholders support? Please explain why you support this option.	
Q81	Q81: Are there any additional options that stakeholders believe should be considered?	
Q82	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?	
Q83	Q83: Do stakeholders agree that surplus funds should always be recognised 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?	
Q84	Q84: Do stakeholders agree that subordinated loans should always be recognised 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?	
Q85	<p>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.</p> <p><i>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</i></p>	

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	The Level B best estimate should be used, in line with the existing calculation of technical provisions. No evidence has been presented that this is an inappropriate valuation approach.	
Q86	<p>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.</p> <p><i>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</i></p> <p>We believe it should apply to all IORPs without restriction.</p>	
Q87	<p>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.</p> <p><i>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</i></p> <p>The Level B best estimate should be used, in line with the existing calculation of technical provisions. No evidence has been presented that this is an inappropriate valuation approach.</p>	

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Q88	<p>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.</p> <p><i>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</i></p> <p>We believe it should apply to all IORPs without restriction.</p>	
Q89	<p>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.</p>	
Q90	<p>Q90: Do stakeholders believe that there is scope for harmonising the recovery period regarding the level of technical provisions to be covered with financial assets on the EU level? Please explain.</p> <p><i>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</i></p> <p>No. This should be left to the member state level.</p>	
Q91	<p>Q91: Do stakeholders think that the recovery period regarding the level of technical provisions to be covered with financial assets should be short or</p>	

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	<p>cover an extensive period of time? Please explain.</p> <p><i>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</i></p> <p>This should be specific to the individual circumstances of an IORP and its sponsor(s).</p>	
Q92	<p>Q92: In the stakeholders' view 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.</p> <p><i>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</i></p> <p>This should be specific to the individual circumstances of an IORP and its sponsor(s).</p>	
Q93	<p>Q93: Do stakeholders believe that there is scope for harmonising the recovery period for meeting the SCR on the EU level? Please explain.</p> <p><i>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</i></p> <p>We do not believe that the case for an EU-level SCR has made. Any SCR (and therefore any associated recovery period) should be specified at member state level.</p>	

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Q94	<p>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.</p> <p><i>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</i></p> <p>We do not believe that the case for an EU-level SCR has made. Any SCR (and therefore any associated recovery period) should be specified at member state level.</p>	
Q95	<p>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.</p>	
Q96	<p>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.</p> <p><i>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</i></p> <p>Under existing legislation, IORPs are required to submit a recovery plan where funding requirements are not met. We believe that this should continue to be the case and that no further supervisory responses should be specified at an EU level..</p>	

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Q97	<p>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?</p>	
Q98	<p>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?</p> <p><i>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</i></p> <p>We do not believe that the case has been made for a possible EU prudential regime based on the holistic balance sheet. However, if such a regime were to be introduced (and especially if the holistic balance sheet were to be used for Pillar 1 funding/solvency requirements), then an appropriate transitional regime would be essential to avoid major impacts on pension schemes, sponsors and long-term investment markets.</p> <p>We therefore agree that benefits that were accrued prior to the introduction of a holistic balance sheet approach should be excluded from the new EU regime.</p> <p>We would also favour a long transition period for employers to adapt their pension provision to fit the new regime (noting that in practice this would be likely to mean the closure to future accrual of all existing defined benefit provision, which may not be what EIOPA is aiming to achieve).</p>	
Q99	<p>Q99: Do stakeholders have any general comments on (the description of) example 1?</p> <p><i>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also</i></p>	

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	<p><i>believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</i></p> <p>As noted in the consultation paper itself, Example 1 would 'seriously interfere' with existing pension schemes, especially in those member states with large defined benefit liabilities. It would also discourage sponsors from providing pension promises in the future (except where required to do so by legislation). We regard this example as highly damaging for pension schemes, and unlikely to be possible to implement successfully in practice.</p>	
Q100	<p>Q100: Could example 1, in the view of stakeholders, be used for all IORPs in the EU?</p> <p><i>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</i></p> <p>This example could not be applied, at least in the UK, without serious damage to pension schemes, employers sponsoring them and long-term investment markets.</p>	
Q101	<p>Q101: Do stakeholders have any general comments on (the description of) example 2?</p>	
Q102	<p>Q102: Could example 2, in the view of stakeholders, be used for all IORPs in the EU?</p>	
Q103	<p>Q103: Do stakeholders have any general comments on (the description of) example 3?</p>	

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Q104	Q104: Could example 3, in the view of stakeholders, be used for all IORPs in the EU, taking into account national specificities?	
Q105	Q105: Do stakeholders have any general comments on (the description of) example 4?	
Q106	Q106: Could example 4, in the view of stakeholders, be used for all IORPs in the EU?	
Q107	Q107: Do stakeholders have any general comments on (the description of) example 5?	
Q108	Q108: Could example 5, in the view of stakeholders, be used for all IORPs in the EU?	
Q109	<p>Q109: Do stakeholders have any general comments on (the description of) example 6?</p> <p><i>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</i></p> <p>Compass Group believes that this is the best of the six examples under consideration here, since it limits the holistic balance sheet to use as a risk management tool. This would, however, still leave IORPs with the cost of having to produce the holistic balance sheet for little obvious benefit. We believe the revised IORP directive's 'Risk Evaluation for Pensions' will in practice achieve much of what the holistic balance sheet might be able to do, with an emphasis on more meaningful qualitative assessments of risk rather than spurious numbers for the support provided by the sponsor and, where relevant, any pension protection scheme.</p>	

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	The choice of examples is skewed because they all involve the use of the holistic balance sheet in some form. We believe that the consultation should also have considered an example 7, which is retaining the status quo <u>without</u> the introduction of the holistic balance sheet. EIOPA has not yet demonstrated why the holistic balance sheet is needed.	
Q110	Q110: Could example 6, in the view of stakeholders, be used for all IORPs in the EU?	
Q111	<p>Q111: Do stakeholders agree that there is scope for simplifications with regard to drawing up the holistic balance sheet? Which simplifications would you consider most important and in which situations?</p> <p><i>Compass Group is opposed to the idea of solvency funding for pension schemes (and to the use of the holistic balance sheet as a mechanism for achieving this). We also believe that it is not possible to put a single figure on the valuation of sponsor support. The fact of us answering this question should not be taken as implying our agreement to the overall policy.</i></p> <p>EIOPA should also consider an example 7, which is retaining the status quo <u>without</u> the introduction of the holistic balance sheet. EIOPA has not yet demonstrated why the holistic balance sheet is needed.</p>	