

**Comments Template on  
Consultation Paper on Further Work on Solvency of IORPs**

**Deadline  
13 January 2015  
23:59 CET**

<b>Name of Company:</b>	<b>GE (General Electric Company)</b>	
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, in Word Format, 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	One of the main reasons cited behind the review of the Directive is a desire to encourage cross-border activity. However, we do not believe that introduction of a common approach to solvency would "potentially stimulate cross-border activity" in any practical sense	
Q1		
Q2		
Q3		
Q4		

**Comments Template on  
Consultation Paper on Further Work on Solvency of IORPs**

**Deadline  
13 January 2015  
23:59 CET**

Q5	<p>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>The definition of contract boundaries (or any variation of this definition) should be expanded to include the rights of the sponsor as well as the IORP itself, as one or both may have the power to unilaterally or jointly 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.</p>	
Q6		
Q7		
Q8		
Q9		
Q10		
Q11		
Q12		
Q13		
Q14		
Q15		
Q16		
Q17		

**Comments Template on  
Consultation Paper on Further Work on Solvency of IORPs**

**Deadline  
13 January 2015  
23:59 CET**

Q18		
	<p>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)?</p> <p>The definition of contract boundaries (or any variation of this definition) should be expanded to include the rights of the sponsor as well as the IORP itself, as one or both may have the power to unilaterally or jointly 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.</p>	
Q19		
Q20		
Q21		
Q22		
Q23		
Q24		
Q25		
Q26		
Q27		
Q28		
Q29		
Q30		
Q31		
Q32		
Q33		
Q34		
Q35		
Q36	<b>Legally enforceable sponsor support</b>	

**Comments Template on  
Consultation Paper on Further Work on Solvency of IORPs**

**Deadline  
13 January 2015  
23:59 CET**

	<p>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>Were an EU-level approach to valuing sponsor support to be taken, this should be principles based only, with the local supervisor left to determine the detail of how any valuation is undertaken, if one is needed in the absence of being able to count sponsor support as a balancing item.</p>	
Q37		
Q38		
Q39	<p>What is the general view of stakeholders with regard to sponsor support as a balancing item?</p> <p>The use of Sponsor Support as a balancing item is essential to the proportionality of any solvency framework for IORPs. Further, our view is that this approach should be used in all cases. Those managing IORPs and national competent authorities can then consider this in the context of risk management and any risk-based supervisory response.</p> <p>Assessment of sponsor support needs to take account of the complexity of corporate group structures where they operate accross a number of countries, which may not be covered by IORP and there are a number of participating employers which may be supported by a wider parent company guarantee.</p>	
Q40	<p>Which conditions should apply for sponsor support to be treated as a balancing item?</p> <p>Sponsor support should be treated as a balancing item where there is clear evidence available to those managing IORPs and national competent authorities that the value of the legally enforceable sponsor support is greater than any potential shortfall in the HBS (however that is assessed) and/or where performing a more detailed calculation of the value of sponsor support would be disproportionate to the net benefit of such an assessment.</p>	

**Comments Template on  
Consultation Paper on Further Work on Solvency of IORPs**

**Deadline  
13 January 2015  
23:59 CET**

	<p>There will need to be a range of conditions available to assess eligibility of sponsor support as a balancing item, reflecting the particular circumstances of each country and the different characteristics of IORPs, for example those with multiple sponsors and cases where the sponsor stands behind several IORPs. It should be left to national supervisors to determine the criteria and metrics to be used in assessing eligibility for treating sponsor support as a balancing item.</p> <p>In the UK, it may be possible to use probabilities of default/insolvency, such as those derived by the Pension Protection Fund (PPF) for the purposes of determining annual PPF levies, in order to assess the strength of sponsor support, which as suggested could form a criterion for establishing the balancing item requirement.</p>	
Q41		
Q42		
Q43		
Q44	<p>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?</p> <p>The presence of a pension protection scheme implies that members' benefits are protected to the degree determined by individual Member States having regard to European legislative requirements and case law. This adds to the argument that work necessary to assess elements of the HBS should be proportionate and, in effect, the minimum necessary to assist those managing and supervising IORPs in understanding and managing the risks. These are matters that should be determined by each Member State against the backdrop of its own supervisory regime and the comparative importance of second pillar retirement provision.</p>	
Q45		

**Comments Template on  
Consultation Paper on Further Work on Solvency of IORPs**

**Deadline  
13 January 2015  
23:59 CET**

Q46		
Q47		
Q48		
Q49		
Q50		
Q51		
Q52		
Q53		
Q54		
Q55		
Q56		
Q57		
Q58		
Q59		
Q60		
Q61		
Q62		
Q63		
Q64		
Q65		
Q66		
Q67		
Q68		
Q69		
Q70		
Q71		

**Comments Template on  
Consultation Paper on Further Work on Solvency of IORPs**

**Deadline  
13 January 2015  
23:59 CET**

Q72	<p><b>Components of supervisory framework</b> 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>We strongly reject the idea of establishing EU capital/funding requirements for IORPs. The existing funding and supervisory regimes in individual Member States should already provide sufficient protection for members/participants. Amending these has associated costs (both initial and ongoing) and no demonstrable additional benefit. Any plan to harmonise regimes is unsuitable and will be detrimental to long term investment, growth and job prospects in the EU.</p>	
Q73	<p>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>IORPs should be able to develop risk-assessment and risk-management tools that are appropriate to the specific circumstances of their arrangements. At an EU-level, any requirements under pillar 2 should be principles-based and should not stipulate the HBS as the only appropriate risk management tool, as there may be other and/or more suitable tools available to different IORPs.</p>	
Q74	<p>Do stakeholders agree that the outcomes of a pillar 2 assessment should be publicly disclosed as part of pillar 3 requirements?</p> <p>No, public disclosure of the outcomes of a pillar 2 assessment should not be a requirement. The HBS is complex and it is difficult to see how its disclosure would facilitate members making any informed decisions. Disclosure also risks the information being misunderstood and mis-used, with potential adverse implications long term investments, growth and job prospects in the EU.</p>	
Q75		
Q76		
Q77		

**Comments Template on  
Consultation Paper on Further Work on Solvency of IORPs**

**Deadline  
13 January 2015  
23:59 CET**

Q78		
Q79		
Q80		
Q81		
Q82		
Q83		
Q84		
Q85		
Q86		
Q87		
Q88		
Q89		
Q90		
Q91		
Q92		
Q93		
Q94		
Q95		
Q96	<p>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>Any requirements set at an EU level on supervisory responses should be purely principles-based. The detail of how supervisory responses will be implemented (which may include, but is not limited to, submitting a recovery plan) should be determined by the relevant national supervisor. More detailed action should not be specified at an EU level as a one-size-fits all supervisory response is unlikely to capture all of the key variables of the local environment in which IORPS</p>	

**Comments Template on  
Consultation Paper on Further Work on Solvency of IORPs**

**Deadline  
13 January 2015  
23:59 CET**

	operate.	
Q97	<p>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> <p>We believe the impact of a possible future European prudential framework will be significant if applied to existing schemes and will have a significant adverse effect for long term investment growth and job prospects. We therefore strongly support the use of grandfathering to reduce the impact - the new requirements should not apply to either the accrued rights or future rights under any scheme established before any such rules potentially come into force.</p>	
Q98	<p>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>In the absence of grandfathering then we strongly support the use of lengthy transitional periods to reduce the impact of any future possible EU prudential regime. This will allow IORPS, investment markets and labour markets to adapt to a new framework and develop appropriate responses in as cost-efficient a manner as is possible.</p>	
Q99		
Q100		
Q101		
Q102		
Q103		
Q104		
Q105		
Q106		

**Comments Template on  
Consultation Paper on Further Work on Solvency of IORPs**

**Deadline  
13 January 2015  
23:59 CET**

Q107

Q108

Q109

Q110

Q111

**Possible simplifications**

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?

We re-emphasise that the HBS could be significantly simplified if the principles of proportionality and the concept of 'a balancing item' are used effectively in developing the specification for a HBS – this applies most directly to an IORP's ability to recognise the full value of sponsor support as a legitimate source of funding for retirement provision.