

<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:	NAPF National Association of Pension Funds	
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	<p><b>The NAPF</b> The National Association of Pension Funds is the voice of workplace pensions in the UK. We speak for over 1,300 pension schemes that provide pensions for over 17 million people and have more than €1.1 trillion of assets. We also have 400 members from businesses supporting the pensions sector.</p> <p>We aim to help everyone get more out of their retirement savings. To do this we spread best practice among our members, challenge regulation where it adds more cost than benefit and promote policies that add value for savers.</p>	

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The NAPF is a member of PensionsEurope, which is currently chaired by the NAPF's Chief Executive, Joanne Segars.

**The NAPF's approach to this consultation**

The NAPF's shares EIOPA's ambitions as outlined in this consultation paper – objective and transparent assessment of the financial security of IORPs and the sound management of risks. The NAPF agrees that these should be achieved in a manner that recognises the specificities of pension schemes.

The NAPF does not, however, support the Holistic Balance Sheet as the means of achieving these ambitions – for the following reasons:

- A robust system of risk management and protection for scheme members' benefits is already in place in the UK, and has been tried and tested in recent years by the stresses of a deep recession. The combination of sponsor support, back-up from the Pension Protection Fund and oversight (and, when necessary, enforcement) by the Pensions Regulator has proved highly effective.
- EIOPA's own Quantitative Impact Study<sup>1</sup> demonstrated that the original Holistic Balance Sheet proposal would (on the benchmark scenario) have increased the deficits of UK defined benefit schemes by €176 billion (c.£150 billion) even after allowance had been made for the additional support provided by sponsors and the Pension Protection Fund. This would have overstated the extent of DB deficits in the UK, principally through the use of an unnecessarily exacting discount rate regime and the inclusion of a solvency capital requirement. This would be highly damaging to the sustainability of DB schemes and would very likely force the closure of the remaining 14 per cent of schemes still open to

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<sup>1</sup> Report on QIS on IORPs, EIOPA, 4 July 2013

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new members and the complete closure of many of the 50 per cent still open to further accrual by existing members.<sup>2</sup>

- The NAPF is also concerned that the HBS proposal is set against a very diverse set of 28 different national pension systems. Although the present consultation goes much further than previous proposals in terms of allowing flexible implementation by national supervisors, this important (and welcome) change undermines the purpose of the whole project, which was originally intended to allow greater comparability of pension schemes across Europe through a more harmonised regulatory system. If pensions regulation is to be determined at national level (as the NAPF thinks it should – and it is a Member State competence), then there can be no justification for an EU-wide Holistic Balance Sheet system.
- The market already takes account of pension scheme deficits through the work of rating agencies, which include assessments of pension scheme deficits, calculated on a technical provisions basis, when rating corporate sponsors. It is not clear how the Holistic Balance Sheet would add extra value in addition to this existing activity.
- The European Central Bank has warned that a HBS-based regulatory regime could undermine investment in growth assets and push more investment towards low-risk bonds<sup>3</sup>. This is a significant critique, directly relevant to Europe’s economic future, and the NAPF urges EIOPA to take careful note of it.
- Compiling the HBS would be a significant extra cost for IORPs, and this should be fully explored in the forthcoming Quantitative Impact Study. The NAPF calls on EIOPA to demonstrate more clearly the value to members and sponsors that the Holistic Balance Sheet would add. The NAPF notes that the one-off compliance and implementation costs for the UK’s insurance industry arising from Solvency II have been estimated at £1.8

<sup>2</sup> DB scheme figures from NAPF *Annual Survey 2014*

<sup>3</sup> *The impact of regulating occupational pensions in Europe on investment and financial stability*, ECB Occasional Paper no.154, July 2014

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billion, over half of which was incurred on business and technical resources. It seems reasonable to assume that the one-off costs for UK pension schemes arising from the Holistic Balance Sheet would at least run into some £100s of billions.<sup>4</sup>

The NAPF notes that the consultation makes it clear that this work is being done on EIOPA's own initiative, with no mandate for it from the European Commission. The NAPF's view is that there is no clear justification for this project and it would be better if EIOPA were not undertaking it at all, particularly as the European Commission is taking forward a separate package of measures, in the form of the revised IORP Directive, to strengthen pension scheme governance, transparency and communications.

These comments notwithstanding, the NAPF welcomes the wider range of options and new flexibilities provided in this consultation. The NAPF recognises that EIOPA has been willing to engage with stakeholders and has taken note of many of the concerns raised in previous consultation rounds.

**Key issues in this consultation**

Regarding the specific issues raised in this consultation, the NAPF's position can be summarised as follows:

- **Sponsor support.** It would be a mistake to try to put a single numerical value on sponsor support, as this is a complex concept that requires a rounded assessment to ensure trustees fully understand the extent to which they can rely on the sponsor's backing for the scheme and the risks associated with it. For this reason, the proposal to use sponsor support as a 'balancing item', as proposed in para 4.112, is a welcome improvement on previous versions of the proposal.
- **Supervisory responses.** If EIOPA were to persuade the European Commission to press

<sup>4</sup> *Solvency II cost benefit analysis*, Ernst & Young, June 2011, commissioned by the Financial Services Authority

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	<p>ahead with the Holistic Balance Sheet (contrary to the advice of the NAPF and many other stakeholders, including PensionEurope), then the best option would be use as a risk management tool.</p> <p>EIOPA should note, however, that the proposed new IORP Directive, which is currently in co-decision, includes a new Risk Evaluation for Pensions report which has a similar purpose to the HBS – the provision of more transparency over risks. There is no need for both. In fact, the NAPF’s view is that the Risk Evaluation exercise, which is purely qualitative, is likely to be the more useful of the two innovations.</p> <ul style="list-style-type: none"> <li>- <b>Transition period.</b> The paper posits the possibility of a ‘very long’ transition. The NAPF would propose at least 10 years between the entry into force of legislation and practical implementation as a funding regime.</li> <li>- <b>Future accruals only.</b> The NAPF would also support the further mitigation – also discussed in the consultation paper – of applying the HBS to future accruals only. The proportion of UK defined benefit schemes open to future accrual has declined rapidly<sup>5</sup>, and can be expected to decline further. So a ‘future accruals only’ approach would leave out of scope those schemes that are not building up additional risks and which were not designed with the HBS in mind.</li> </ul> <p>This approach would, of course, reduce the effectiveness of the HBS as a means of protecting the full range of members’ benefits and would, therefore, call into question the value of the whole exercise, but – as explained in this response – the NAPF is confident that members’ benefits in the UK already enjoy robust protection.</p> <p><b>An ‘Holistic Assessment’</b> The NAPF proposes that the ‘Holistic Balance Sheet’ should, in fact, be an ‘Holistic Assessment’</p>	

<sup>5</sup> The number of private sector DB pension schemes open to future accrual in the UK has declined from 92 per cent in 2009 to 65 per cent in 2014 (*NAPF Annual Survey 2014*)

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	<p>along the lines of the Risk Evaluation for Pensions, as this would better reflect the way in which we see this new system being used if the European Commission were to take it forward - as a tool for stronger governance and transparency, rather than as the basis of a new funding regime. The precise structure for this Assessment should be set at national level.</p>	
Q1	<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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The concept of ‘contract boundaries’ does not work well for IORPs – as the consultation paper comes close to recognising in para 4.22.</p> <p>It would be preferable to recognise all the legal documentation governing the provision of benefits under the IORP, whether this takes the form of a contract, trust deed or plan rules.</p> <p>EIOPA should recognise that IORPs are social institutions involving employers and employees and founded in social and labour law, rather than financial services products, and require their own, IORP-specific, regulatory regime. Basing pensions regulation on systems developed for financial services products (such as Solvency II) is unlikely to deliver an effective or efficient framework.</p>	
Q2	<p><b>Q2: Do stakeholders think that the word “boundary” is suitable here?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable</i></p>	

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	<p><i>and does not place undue burdens on workplace pension schemes.</i></p> <p>No. As discussed in answer to Q.1 above, the concept of ‘contract boundaries’ does not work well for IORPs – as the consultation paper comes close to recognising in para 4.22.</p>	
Q3	<p><b>Q3: If not, please provide an expression more suitable for IORPs which could replace the expression “contract boundaries”.</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>As explained in answer to Q.1 above, the NAPF’s view is that there are fundamental weaknesses in applying the concept of ‘contract boundaries’ to IORPs. These would not be addressed by use of a different expression.</p>	
Q4	<p><b>Q4: Do stakeholders have any general comments on the above section?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>In the UK, the right to terminate an IORP may rest with the sponsoring employer or with the sponsor and scheme, so the issues raised in para 4.28 regarding the right to ‘stop’ or modify the promise are complex.</p> <p>It should also be noted that, in the UK, Section 67 of the Pensions Act 1995 protects accrued rights, so these cannot be modified or taken away by either the sponsor or IORP (except where actuarial equivalence is maintained or the individual member consents). Benefits are reduced, of</p>	

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course, in the event of insolvency and transfer to the Pension Protection Fund.

Q5

**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)?**

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In the UK, the right to terminate an IORP may rest with the sponsoring employer or with the sponsor and scheme, so the issues raised in para 4.28 regarding the right to ‘stop’ or modify the promise are complex.

It should also be noted that, in the UK, Section 67 of the Pensions Act 1995 protects accrued rights, so these cannot be modified or taken away by either the sponsor or IORP (except where actuarial equivalence is maintained or the individual member consents).

There is a risk that, by incorporating the elements listed above in a definition of contract boundaries, the EU could unwittingly create a conflict between EU legislation and national provisions such as the Pension Protection Fund or the protection for accrued rights under Section 67.



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Q6	<p><b>Q6: Do stakeholders agree with the analysis above of the different ways of liabilities of IORPs arising?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>Para 4.30.i is accurate in terms of DC schemes.</p> <p>Para 4.30.ii is accurate in terms of DB pension schemes, where (as para 4.30.ii explains), benefits accrue in relation to service, rather than in relation to contributions</p> <p>EIOPA should note that DB pension schemes come in more than one form. In addition to traditional DB, where the IORP pays a retirement income to the member, there is also ‘cash balance’, where the member accrues a defined lump sum, which they then use to fund their retirement income as they choose. This kind of arrangement also falls within the terms described in para 4.30.ii.</p>	
Q7	<p><b>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?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in</i></p>	

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	<p><i>order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>Yes, it is standard practice to distinguish between regular employer contributions and recovery plan payments intended to bring the scheme back to balance over the medium term.</p>	
Q8	<p><b>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?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The NAPF would agree with this distinction.</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 recognised in technical provisions of the IORP? If not, how/where should they be recognized/presented in the holistic balance sheet?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The NAPF agrees with this proposal. In practice, the scope for transfers from IORP to sponsor is quite limited in the UK, not least because they frequently involve complex tax charges.</p>	

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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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>As explained in answer to question 6 above, benefits in DB schemes relate to service, not contributions.</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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>In theory, yes, although – as explained in answer to Questions 1 and 2 above – the NAPF does not believe ‘contract boundaries’ – a concept based in the world of insurance – are an appropriate basis for regulation of IORPs.</p>	
Q12	<p><b>Q12: Do stakeholders have any general comments on the above section?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p>	

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The recognition of cash flows in the technical provisions should be limited to those payments that the IORP is obliged to make based on the benefits accrued up until the date at which the technical provisions are to be valued. As such it can be argued that no allowance should be made in technical provisions for increases in benefits related to future salary increases.

Benefit accrual in respect of service after the assessment date, discretionary benefits / increases that had not been granted at the valuation date, benefit rights / entitlements that only arise if a contribution is paid (that had not been received at the valuation date) should not form part of the technical provisions as these obligations have not yet arisen.

**Q13: Do stakeholders have any general comments on the above section?**

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No answer

Q13

**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 technical provisions)?**

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Q14

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	<p>The contract boundaries should not be required to include cash flows in respect of benefits linked to future service accrual or linked to contribution payments that had not yet been received by the IORP at the valuation date of the technical provisions. These events have not yet occurred and as such the rights and obligations have not yet arisen.</p> <p>EIOPA should give further thought to the treatment of deficit payments and whether it plans to include these within its definition of 'cash flows'.</p>	
Q15	<p><b>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?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>No answer</p>	
Q16	<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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>No answer</p>	

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Q17	<p><b>Q17: Is the wording of the definition appropriate for IORPs?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>No. As discussed in answer to Q1 above, the concept of ‘contract boundaries’ does not work well for IORPs – as the consultation paper comes close to recognising in para 4.22.</p>	
Q18	<p><b>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)?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>No answer</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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in</i></p>	

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	<p><i>order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The rights of the sponsor should be reflected in the definition.</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> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>Yes.</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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>Yes.</p>	
Q22	<p><b>Q22: Are the conditions mentioned above for making unilateral rights of the sponsor part of the</b></p>	

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	<p><b>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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>No answer</p>	
Q23	<p><b>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.</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The consultation paper does not make it clear what the adapted definition is. Without clarification, the NAPF is unable to answer this question.</p>	
Q24	<p><b>Q24: Do stakeholders consider the above definitions workable? If not, please explain why not and how you would suggest to improve the definition(s).</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p>	



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Q25	<p><b>Q25: Do stakeholders have any general comments on the above section?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>No answer</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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>It is difficult to see how a sufficiently objective or robust methodology could be developed.</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 recognised in a holistic balance sheet? If not, what alternative would you suggest?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in</i></p>	

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	<p><i>order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The NAPF does not consider that pure discretionary benefits should be recognised in the Holistic Balance Sheet. As such, IORPs should not be required to produce best estimates of future payments.</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 recognised in a holistic balance sheet? If not, what alternative would you suggest?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>This should be a matter for Member States.</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 holistic balance sheet? If not, what alternative would you suggest?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>IORPs in the UK do not generally put much weight on non-legally enforceable sponsor support, so it would seem imprudent to take it into account in any kind of balance sheet intended to</p>	

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	support assessment of the scheme's future projects.	
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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>This should be a matter for Member States.</p>	
Q31	<p><b>Q31: Which option do you support? Please explain why you support this option.</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>This should be a matter for Member States.</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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p>	

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	The NAPF agrees that surplus funds should be valued as proposed for Holistic Balance Sheet purposes.	
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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>No answer</p>	
Q34	<p><b>Q34: Which option do you support? Please explain why you support this option.</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>This should be a matter for Member States.</p>	
Q35	<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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable</i></p>	

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	<p><i>and does not place undue burdens on workplace pension schemes.</i></p> <p>The ‘balancing item’ approach is only relevant where benefit reductions are unlimited, so this is not relevant to the UK under the current proposals.</p> <p>However, the UK’s Pension Protection Fund system does allow benefit reductions, subject to certain constraints. For most scheme members the PPF pays compensation of 90 per cent of the benefits that would have been received from the scheme, although the existence of a compensation cap means that the percentage compensation is lower for high earners. (The compensation cap is £36,401 in 2014-15.)</p> <p>The ‘direct approach’ would be appropriate for taking account of PPF benefit reductions.</p>	
Q36	<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> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The NAPF agrees that an approach to valuing sponsor support based on high-level principles is most appropriate, with the specifics left to Member State level.</p> <p>This would allow full recognition of the many differences between different Member States’ pension systems and would, therefore, result in a more robust policy outcome.</p> <p>It would also allow full recognition of the impossibility of putting a single numerical value on</p>	

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	<p>sponsor support, the assessment of which always involves a degree of expert judgement.</p> <p>EIOPA should be commended for responding in this way to the concerns raised in previous rounds of consultation.</p> <p>At UK level, a principles-based approach would allow for the inclusion of contingent assets, which are an increasingly widely used means of providing additional security for the scheme.</p>	
Q37	<p><b>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?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>Yes, but EIOPA should clarify what it means by ‘market consistent’, as the term has a number of definitions.</p>	
Q38	<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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p>	

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	<p>Again, more clarity is required about the meaning of ‘market consistent’.</p> <p>In addition to valuing expected cash flows for affordability and credit risk, these should also be assessed in light of the sponsor’s <i>willingness</i> to pay – a crucial factor that deserves a higher profile in the consultation paper.</p>	
Q39	<p><b>Q39: What is the general view of stakeholders with regard to sponsor support as a balancing item?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The NAPF supports the proposal of allowing sponsors that meet the ‘proportionality principle’ criteria to use sponsor support as a balancing item. For these schemes, the complexity and cost involved in calculating the Holistic Balance Sheet would be significantly reduced.</p> <p>Ideally, the NAPF would urge EIOPA to go further and allow the use of sponsor support as a balancing item to be the <i>default</i> approach for all schemes. If this is not possible, then Member States should be allowed to determine when the balancing item approach could be used.</p> <p>If EIOPA does not take this approach, then the use of sponsor support as a balancing item is likely to be of greatest use to the larger schemes that have the resources to carry out the work required to demonstrate that they meet the criteria (as defined by Principles 1 to 3).</p>	
Q40	<b>Q40: Which conditions should apply for sponsor support to be treated as a balancing item?</b>	

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National supervisory agencies should be allowed to decide which conditions are required for sponsor support to be used as a balancing item.

In the UK, the NAPF anticipates that the most appropriate choice in most cases would be ‘Principle 3’ (‘sponsor support as a balancing item in case of existence of a pension protection scheme’).

This would reflect the situation in the UK, where the Pension Protection Fund is now well established and plays a major role in ensuring protection for the vast majority of DB member benefits.

**Q41: Are there other cases beyond the cases mentioned above in which sponsor support could be treated as a balancing item?**

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EIOPA should also take note of the fact that several major UK pension schemes benefit from Crown Guarantees. This extra element of covenant strength should, in the NAPF’s view, provide a further ‘Principle’ that would warrant the use of sponsor support as a balancing item.

Schemes in this position include the BT Pension Scheme, the Mineworkers’ Pension Scheme and the BAe Systems Pension Scheme.

Q41



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Q42	<p><b>Q42: Do stakeholders have a view as to what value of M would be appropriate?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>Any value for M that is generally applied for all IORPs that use the balancing item approach would be arbitrary.</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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The default position should be that sponsor support is used as a balancing item – or left for the trustees to decide.</p> <p>Only if the sponsor were not strong enough to support the scheme would factors such as the existence of a pension protection scheme come into play.</p> <p>If EIOPA chooses not to go down this default route, then pension protection schemes could be considered as impacting on sponsor support and used as a balancing item as proposed in Principle 3.</p>	

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	<p>Note that the existence of the PPF would not normally be included in the sponsor support assessment under the existing UK regulatory regime, but it seems appropriate to use it for the purposes of the HBS only.</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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The NAPF would favour the second approach – allowing the existence of a pension protection scheme (even with some benefit reduction) to be used as a balancing item in cases where sponsor support is not sufficient on its own.</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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The NAPF would not support the development of a separate funding level. The pension protection scheme should simply be used as a balancing item, without any further calculation.</p>	

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Q46	<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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The NAPF agrees that a principles-based, IORP-specific approach to valuation of sponsor support should form part of the Holistic Balance Sheet system.</p> <p>Although EIOPA is right to note that this approach might not appeal to smaller IORPs, large and / or complex IORPs, including multi-employer schemes, are likely to welcome the opportunity to use an approach that takes full account of their own particular circumstances.</p> <p>The NAPF proposes that trustees should be allowed to choose between the IORP-specific, principles-based approach and the off-the-shelf approach.</p> <p>The principles themselves should be very high-level and left to national regulators to determine.</p>	
Q47	<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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>This should be left to national regulators to decide.</p>	

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Q48	<p><b>Q48: Are there any other issues in relation to stochastic models, which you believe should be covered?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>No answer.</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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The NAPF proposes that trustees should be allowed to choose between the IORP-specific approach and the off-the-shelf approach.</p> <p>The NAPF does not have a view on which of the deterministic approaches is preferable.</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>	

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	<p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>No answer</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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The NAPF does not have a view on which of the deterministic approaches is preferable.</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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>No answer</p>	
Q53	<p><b>Q53: Do stakeholders believe that this approach is a suitable simplified method for</b></p>	

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	<p><b>determining sponsor support? In what circumstances is it appropriate? In what circumstances might it not be appropriate?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>No answer</p>	
Q54	<p><b>Q54: Should EIOPA produce spreadsheets to enable IORPs to use this simplification?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>No answer</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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>No answer</p>	

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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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>No answer</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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The NAPF agrees that a simplified one-size-fits-all approach is not possible, particularly for large or complex IORPs.</p> <p>The principle-based approach, however, appears to make an arbitrary choice of an approach based on the relationship between the value of the sponsor and certain multiples of sponsor support. This is not adequately justified in the consultation paper.</p> <p>Note that the suggestion (para 4.189) that the balancing item approach would require ‘additional prudential requirements’ seems odd, as this would effectively penalise schemes for enjoying robust financing and support. No details are given on what the additional prudential requirements would be; EIOPA should make this clear.</p>	

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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, how could EIOPA improve the approach set out in the previous QIS?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>It would be a mistake to try to put a single numerical value on sponsor support, as this is a complex concept that requires a more rounded assessment in order to ensure trustees fully understand the extent to which they can rely on the sponsor’s backing for the scheme and the risks associated with it.</p> <p>The NAPF is also concerned that the approach advocated by EIOPA runs counter to the approach in the UK, where the Government introduced in July 2014 a new statutory objective (alongside its other objectives) for the Pensions Regulator ‘to minimise any adverse impact on the sustainable growth of an employer’, recognising that the national supervisor should ensure it does not take actions which are detrimental to the health of pension scheme sponsors.</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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable</i></p>	



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	<p><i>and does not place undue burdens on workplace pension schemes.</i></p> <p>No answer</p>	
<b>Q60</b>	<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 alternative approaches would stakeholders suggest?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The options presented do appear to cover the full range of possibilities for estimating sponsor default probabilities.</p> <p>As the consultation notes, the UK’s Pension Protection Fund has recently concluded an extensive exercise to develop a pensions-specific model for estimating sponsor default risk, with Experian providing the data underpinning the new system. It is widely agreed that the new system provides a closer link between the risks posed to the PPF by each scheme and the levy it pays.</p> <p>The NAPF would not want to see a further new method of estimating sponsor default risk implemented in the UK in addition to the new PPF system, and recommends that Member States are allowed to use existing systems where they are proven to be effective.</p> <p>EIOPA should note that the NAPF is not recommending that the PPF system should be used across the EU, as it was developed solely to fit the requirements of the UK pensions system and – specifically – the universe of schemes covered by the PPF. The key point is that EIOPA should allow Member States to use methods for assessing sponsor default probability that match their</p>	

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	national circumstances.	
Q61	<p><b>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.</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The NAPF is surprised by the very simplistic nature of the paper's discussion of the timing of sponsor support. This is a complex topic that warrants far more detailed consideration.</p>	
Q62	<p><b>Q62: Please provide your views on this suggested approach.</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>A scheme-specific approach is needed to take account of the wide variety of complex corporate structures.</p> <p>The consultation paper posits the idea of apportioning the value of maximum sponsor support across the relevant IORPs. It is not clear how this would be done in today's complex corporate environment. For example, in one major UK plc, the most 'senior' company within the group does not itself sponsor any IORPs at all. Would it really be appropriate to apportion any of its strength across IORPs that it does not sponsor ?</p>	

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Q63	<p><b>Q63: Are there any other suggestions on how to deal with single sponsors with multiple IORPs?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>No answer</p>	
Q64	<p><b>Q64: Please provide your views on this suggested approach.</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The approach suggested for the calculation of sponsor support for multi-employer IORPs might be suitable as an option for trustees to use, but it would be completely inappropriate for some IORPs.</p> <p>In sectionalised schemes, for example, taking account of a sample of the five largest employers, as suggested in paragraph 4.230, would mean the strength of a particular employer being used to calculate support for a scheme even though there was no prospect of that employer actually supporting the scheme. At the same time, the support that could actually be provided by the relevant sponsor would be ignored.</p> <p>Covenant assessment remains a complex matter, where assessing the sum of the parts is far from</p>	

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	an exact science. The correct policy would be to allow a scheme-specific approach to valuing sponsor support in multiple-employer schemes.	
Q65	<p><b>Q65: Are there any other suggestions on how to deal with multiple employer IORPs?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The calculation of support for multi-employer IORPs is a complex challenge, and these schemes have developed their own methods that work well for their particular circumstances.</p> <p>Given this background, it seems ill-advised to posit a single methodology that could work for all multi-employer schemes. It would be better to find a way of using pension schemes' existing valuation work.</p>	
Q66	<p><b>Q66: Please provide your views on this suggested approach.</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>No answer</p>	
Q67	<b>Q67: Please provide your views on this suggested approach.</b>	

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	<p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The difficulty in this area, which has been extensively explored as part of the recent consultations on reform of the Pension Protection levy<sup>6</sup> is that financial data is not as readily and publicly available as it is in the corporate sector.</p> <p>In the process of developing the new PPF levy, Experian has had to devise completely new systems based on data from diverse sources such as the Charity Commission and Higher Education Funding Council.</p> <p>The NAPF strongly encourages EIOPA to use this existing work rather than ‘re-invent the wheel’.</p>	
Q68	<p><b>Q68: Are there any other suggestions on how to deal with not-for-profit entities?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>In the UK context, non-profit institutions generally represent a low solvency risk.</p> <p>The NAPF would emphasise that the assessment of the solvency of non-profit entities is highly complex. For this reason the PPF has committed to a continuing review of the methodology developed with Experian for assessing non-profit sponsors.</p>	

<sup>6</sup> Consultation on the second PPF Levy triennium 2015/16-2017/18, Pension Protection Fund, 29 May 2014

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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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>At first glance, separate valuation of the pension protection scheme appears attractive, as it would boost the transparency of the Holistic Balance Sheet by marking the pension protection element as a distinct and separate component of the support for members’ benefits.</p> <p>However, putting a value on the pension protection scheme component is far from straightforward, and there is some temptation to suggest it should simply be used as a balancing item (perhaps discounted to reflect the fact that most members receive 90% compensation under the UK system).</p> <p>In any case, the first QIS showed that the ‘value’ of the PPF protection was very modest relative to the strength of sponsor support<sup>7</sup>, and it might be that attempting to calculate its value with any precision represents disproportionate effort.</p>	
Q70	<p><b>Q70: Which of the options to value pension protection schemes do stakeholders prefer?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p>	

<sup>7</sup> Report on QIS on IORPs, p.139, EIOPA, 4 July 2013

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As explained in answer to Question 69, the first QIS showed that the ‘value’ of the PPF protection in the UK was relatively modest relative to the strength of sponsor support, and it might be that attempting to calculate its value with any precision represents disproportionate effort.

**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?**

*The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.*

Yes, we believe that in principle there would be merit in treating a pension protection scheme as a balancing item, depending on the level of protection offered and the security of the protection scheme.

However, EIOPA should note that it would be far from straightforward to use the PPF in the UK as a balancing item, and EIOPA would need to give much more detailed consideration to how this would be achieved in practice.

The first difficulty is that the PPF pays compensation that is lower than full IORP benefits, although we note paragraph 4.4 of section 4.1.2. which says “There are several elements that could, under specific circumstances, serve as a balancing item ... a pension protection scheme that covers 100% of benefits (or a pension protection scheme that covers <100% but the reduction in benefits is accounted for in the valuation of the holistic balance sheet) and is valued separately (from sponsor support) on the holistic balance sheet”.

Q71

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	<p>The second issue is that the PPF compensates members for lost pension rather than contributing assets to the scheme, and trustees should not run their scheme in such a way that factors the scheme's failure into the level of funds they require.</p> <p>The third challenge would be to work out how the reduction in benefits would be reflected in the balance sheet. Would it, for example, serve as a reduction to the liabilities or would it be earmarked in the asset valuation as a separate source of funding that would supplement the coverage given by the protection scheme so as to ensure full liabilities were met?</p>	
Q72	<p><b>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.</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The NAPF would strongly oppose the introduction of EU-level capital requirements for pension schemes.</p> <p>EIOPA's own Quantitative Impact Study<sup>8</sup> demonstrated that the original Holistic Balance Sheet proposal would (on the benchmark scenario) have increased the deficits of UK defined benefit schemes by €176 billion (c.£150 billion) even after allowance had been made for the additional support provided by sponsors and the Pension Protection Fund. This would have overstated the extent of DB deficits in the UK, principally through the use of an unnecessarily exacting discount rate regime and the inclusion of a solvency capital requirement. This would be highly damaging</p>	

<sup>8</sup> Report on QIS on IORPS, EIOPA, 4 July 2013



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	<p>to the sustainability of DB schemes and would very likely force the closure of the remaining 14 per cent of schemes still open to new members and the complete closure of many of the 50 per cent still open to further accrual by existing members.<sup>9</sup></p> <p>The NAPF is also concerned that the HBS proposal is set against a very diverse set of 28 different national pension systems. Although the present consultation goes much further than previous proposals in terms of allowing flexible implementation by national supervisors, this important (and welcome) change undermines the purpose of the whole project, which was originally intended to allow greater comparability of pension schemes across Europe through a more harmonised regulatory system. If pensions regulation is to be determined at national level (as the NAPF thinks it should – and it is a Member State competence), then there can be no justification for an EU-wide Holistic Balance Sheet system.</p> <p>The European Central Bank has warned that a HBS-based regulatory regime could undermine investment in growth assets and push more investment towards low-risk bonds<sup>10</sup>. This is a significant critique, directly relevant to Europe’s economic future, and the NAPF urges EIOPA to take careful note of it.</p>	
Q73	<p><b>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.</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>If EIOPA and the European Commission were to insist on pressing ahead with the Holistic Balance Sheet, then the best option would be use as a risk management tool.</p>	

<sup>9</sup> DB scheme figures from NAPF *Annual Survey 2014*

<sup>10</sup> *The impact of regulating occupational pensions in Europe on investment and financial stability*, ECB Occasional Paper no.154, July 2014

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	<p>EIOPA should note, however, that the proposed new IORP Directive, which is currently in co-decision, includes a new Risk Evaluation for Pensions report which appears to duplicate much of what would be achieved by using the HBS as a Pillar II tool – ie better management of risks. There is clearly no need for both.</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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The NAPF is in favour of transparency. Putting information about the pension scheme into the public domain helps investors to make well-informed decisions and allows all interested parties, including the sponsor itself, to comment.</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 holistic balance sheet? Please explain and, if yes, what action?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>As argued in previous answers, the NAPF sees no need for the Holistic Balance Sheet, not least because it would duplicate the new risk monitoring requirements set out in the proposed Risk Evaluation for Pensions report in the revised IORP Directive.</p>	

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Q76	<p><b>Q76: Which of the two options for recognising non-legally enforceable sponsor support do stakeholders support? Please explain why you support this option.</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The NAPF would not support the inclusion of non-legally-enforceable sponsor support, as this would risk giving an inflated view of the support for the scheme.</p>	
Q77	<p><b>Q.77: Which of the two options for recognising pension protection schemes do stakeholders support? Please explain why you support this option.</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The NAPF would prefer the first option, since including the pension protection scheme as a separate asset in its own right is more transparent than using it as an adjustment to the credit risk of the sponsoring employer.</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>	

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	<p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The NAPF would agree with this approach.</p>	
Q79	<p><b>Q79: Which of the three options for recognising mixed benefits do stakeholders support? Please explain why you support this option.</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The NAPF would favour option 3 – allowing country-specific decisions on the treatment of mixed benefits.</p> <p>This option would be consistent with the NAPF’s general approach, which is to take full account of the specific circumstances of each Member State’s pensions system wherever possible.</p>	
Q80	<p><b>Q80: Which of the three options for recognising benefit reduction mechanisms do stakeholders support? Please explain why you support this option.</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The NAPF’s view is that the existence of the Pension Protection Fund (including the benefit</p>	

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	reductions that it entails) should be recognised in the Holistic Balance Sheet in some way. This could be achieved either through a specific PPF component in the HBS, or by recognising the value of benefit reductions in the calculation of technical provisions.	
Q81	<p><b>Q81: Are there any additional options that stakeholders believe should be considered?</b></p> <p>None.</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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>Off-balance sheet instruments, such as contingent assets, have a material effect on the sponsor’s contributions and on the strength of the sponsor covenant, and should logically be reflected in the HBS. They would normally be used to cover technical provisions, but, if not, they could instead be used to cover the SCR under the Holistic Balance Sheet approach.</p>	
Q83	<p><b>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?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p>	

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	Yes, surplus funds should be included in the HBS.	
Q84	<p><b>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?</b></p> <p>No answer</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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The NAPF supports the use of Level B – for many of the reasons identified in the consultation paper .</p> <p>First, the use of a discount rate based on expected return on assets encourages investment in long-term assets (since IORPs like to match their assets to their liabilities). Obviously this approach involves a degree of risk, but this is managed by ensuring the discount rate and assumptions involved in valuation are agreed between the trustees and sponsoring employer (taking account of the views of their advisers) and are also subject to approval by the Pensions Regulator.</p> <p>Second, this is the approach taken by the current IORP Directive, so disruption would be minimal.</p>	

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Q86	<p><b>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.</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>The NAPF would expect the assumptions used to calculate liabilities, including the discount rate, to be subject to approval by the national regulator.</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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>No answer</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</b></p>	

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	<p><b>prior approval of the national supervisor or applied as a member state option? Please explain.</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>No answer</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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>Additional funding requirements are not commonly used in the UK, where just a small number of schemes have secondary funding objectives.</p> <p>The NAPF would prefer using national prudential rules, rather than social and labour law, as the basis of pension scheme funding, as this is the approach to which UK schemes are accustomed – hence minimum disruption.</p>	
Q90	<p><b>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.</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in</i></p>	



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	<p><i>order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>No. Harmonised recovery periods do not make sense when there are such major differences between and within national pension systems.</p> <p>In the Netherlands, for example, the ability to reduce benefits provides the principal safety valve for IORPS under financial pressure. In the UK, scheme-specific recovery periods are the primary means of allowing IORPs to ride out periods of difficulty.</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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>A flexible approach should be allowed, including approval by the national supervisor.</p>	
Q92	<p><b>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.</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p>	

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	Regulatory approval for recovery plans is essential in order to ensure members' benefits are well protected.	
Q93	<p><b>Q93: Do stakeholders believe that there is scope for harmonising the recovery period for meeting the SCR on the EU level? Please explain.</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>This should be a matter for determination at national level.</p>	
Q94	<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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>This should be a matter for determination at national level.</p>	
Q95	<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>	

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	<p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>This should be a matter for determination at national level.</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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>Any supervisory responses specified at the EU level should be purely principles-based; the detail of how supervisory responses are implemented should be determined by the national supervisor.</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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>There are a number of ways in which the impact of a Holistic Balance Sheet-based funding regime could be mitigated, and the NAPF would support the following options (both discussed in</p>	

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	<p>paragraph 5.139) if the HBS were ever to be implemented for that purpose:</p> <ul style="list-style-type: none"> <li>- significant transitional provisions; the paper posits the possibility of a ‘very long’ transition and the NAPF would propose at least 10 years between the entry into force of legislation and practical implementation as a funding regime; and</li> <li>- application to future accruals only.</li> </ul>	
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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>A lengthy transition period would be essential in order to enable schemes to adjust to the requirements of the Holistic Balance Sheet, especially if it were to be used as the basis of capital requirements. The NAPF would suggest at least 10 years.</p> <p>Furthrmore, schemes should have the option of applying the Holistic Balance Sheet to future accruals only – the ‘grandfathering’ option mooted in paragraph 5.139.</p>	
Q99	<p><b>Q99: Do stakeholders have any general comments on (the description of) example 1?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p>	

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	<p>We do not see any evidence that this would stimulate cross-border activity. Indeed, when combined with the impact of Article 13(5) of the proposed new IORP Directive as agreed in Council, which would give transferring regulators a blanket veto on the transfer of assets across borders, this would end DB cross-border activity.</p> <p>The NAPF would argue strongly that the paper should have a further example – example 7 – which would be a ‘no change’ option. It is disappointing that, throughout the document, there appears to be a presumption in favour of change. ‘No change’ should also be available as a policy option.</p>	
Q100	<p><b>Q100: Could example 1, in the view of stakeholders, be used for all IORPs in the EU?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>No answer</p>	
Q101	<p><b>Q101: Do stakeholders have any general comments on (the description of) example 2?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>We do not see any evidence that this would stimulate cross-border activity. Indeed, when combined with the impact of Article 13(5) of the proposed new IORP Directive as agreed in Council, which would give transferring regulators a blanket veto on the transfer of assets across borders, this would end DB cross-border activity.</p>	

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Q102	<p><b>Q102: Could example 2, in the view of stakeholders, be used for all IORPs in the EU?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>No answer</p>	
Q103	<p><b>Q103: Do stakeholders have any general comments on (the description of) example 3?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>We do not see any evidence that this would stimulate cross-border activity. Indeed, when combined with the impact of Article 13(5) of the proposed new IORP Directive as agreed in Council, which would give transferring regulators a blanket veto on the transfer of assets across borders, this would end DB cross-border activity.</p>	
Q104	<p><b>Q104: Could example 3, in the view of stakeholders, be used for all IORPs in the EU, taking into account national specificities?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p>	

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	No answer	
Q105	<p><b>Q105: Do stakeholders have any general comments on (the description of) example 4?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>We do not see any evidence that this would stimulate cross-border activity. Indeed, when combined with the impact of Article 13(5) of the proposed new IORP Directive as agreed in Council, which would give transferring regulators a blanket veto on the transfer of assets across borders, this would end DB cross-border activity.</p>	
Q106	<p><b>Q106: Could example 4, in the view of stakeholders, be used for all IORPs in the EU?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>No answer</p>	
Q107	<p><b>Q107: Do stakeholders have any general comments on (the description of) example 5?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p>	

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	We do not see any evidence that this would stimulate cross-border activity. Indeed, when combined with the impact of Article 13(5) of the proposed new IORP Directive as agreed in Council, which would give transferring regulators a blanket veto on the transfer of assets across borders, this would end DB cross-border activity.	
Q108	<p><b>Q108: Could example 5, in the view of stakeholders, be used for all IORPs in the EU?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>No answer</p>	
Q109	<p><b>Q109: Do stakeholders have any general comments on (the description of) example 6?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></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>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>This example looks broadly similar to the current UK regime, although it would add use of the Holistic Balance Sheet as a risk-management tool and para 5.310 would require a market-</p>	



<b>Comments Template on Consultation Paper on Further Work on Solvency of IORPs</b>		<b>Deadline 13 January 2015 23:59 CET</b>
	<p>consistent approach.</p> <p>If EIOPA insists on pressing ahead with the Holistic Balance Sheet and does not introduce a 'no change' option (as proposed in our answer to question 99), then example 6 would be the least damaging option.</p> <p>EIOPA should note, however, that the proposed new IORP Directive, which is currently in co-decision, includes a new Risk Evaluation for Pensions report which appears to duplicate much of what would be achieved by using the HBS as a Pillar II tool – ie better management of risks. There is clearly no need for both.</p>	
Q111	<p><b>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?</b></p> <p><i>The NAPF does not support the Holistic Balance Sheet project, but is answering this question in order to help EIOPA develop its policy and ensure the new system – if introduced – is practicable and does not place undue burdens on workplace pension schemes.</i></p> <p>No answer</p>	