

<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:	Punter Southall Punter Southall, 11 Strand, London, WC2N 5HR, United Kingdom	
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>		
Reference	Comment	
General Comment	<p><b>About Punter Southall</b></p> <p>Punter Southall ("PS") provides a full range of pension consultancy services in the UK including actuarial consulting, pension scheme administration services, defined contribution plan consulting, health and protection services, investment consulting and international consulting. Our clients are primarily medium and large sized UK occupational pension schemes and their employers.</p>	

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	<p>We are part of the Punter Southall Group which has over 950 staff in 14 locations throughout the UK and whose pension scheme clients range in size from around 20 members to over 80,000 members.</p> <p><a href="http://www.puntersouthall.com">www.puntersouthall.com</a></p> <p>PS is fundamentally opposed to the proposal to apply a regime based on Solvency II to IORPs. We believe that the adoption of a regime designed for insurance companies by IORPs through the use of the holistic balance sheet is inappropriate and will be potentially damaging to UK IORPs and the wider UK economy. Further, there is no evidence to support the need for a revision of the existing IORP funding framework which has continued to work well, even in the existing challenging economic environment.</p> <p><b>PS's General Comments on the Consultation Paper on Further Work on Solvency of IORPs</b></p> <p>PS notes that EIOPA has undertaken the work on this consultation on its own initiative following its quantitative impact study on IORPs, the results of which were published in July 2013. It is unclear why EIOPA has decided to undertake this work without any further direction from the European Commission and, in particular, there is no evidence to support EIOPA's preference for the holistic balance sheet approach over the existing IORP funding framework.</p> <p>Given our fundamental opposition to the holistic balance sheet we have not responded to many of the technical details of the consultation. However, where we have not answered a particular question, this should not be taken as our tacit or implied agreement to the holistic balance sheet.</p>	
Q1	The term "contract" could be misleading in the UK where it is used more typically in the context of insurance products.	
Q2		
Q3		

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Q4		
Q5	We agree that unilateral rights (or obligations) of an IORP to terminate the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk should form part of the definition of contract boundaries for IORPs. However, where similar powers exist which can be exercised jointly or unilaterally by other parties (such as the sponsor), these should also form part of the definition.	
Q6		
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Q14	No. Contract boundaries should be limited to events that have occurred prior to the valuation date and the attaching rights and obligations of these events. Contract boundaries should not include cash flows in respect of benefits linked to future service accrual or linked to contribution payments that have not been received at the valuation date.	
Q15	The definition of contract boundaries should be amended such that contributions paid and benefits accrued are restricted to the valuation date.	
Q16		
Q17	No. The definition of contract boundaries should also include the powers of other parties (such as the sponsor).	
Q18		
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Q21		

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Q22		
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Q27	Pure discretionary benefits should not be recognised in the holistic balance sheet.	
Q28		
Q29		
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Q32	Yes	
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Q34		
Q35		
Q36	Yes, we agree and support this approach. The nature and type of sponsor support will vary by member state. Sponsor support is complicated to value and therefore should not be prescribed at the EU level.	
Q37		
Q38		
Q39	We support this approach, although we note that the thresholds for adopting this approach seem somewhat arbitrary and we recommend that these thresholds are set by individual member states/supervisors.	
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Q45		
Q46	Yes	
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Q71	Yes	
Q72	No. The existing funding regime is already sufficient and has been proven to work in challenging economic conditions. The additional complexity introduced by the holistic balance sheet is unlikely to improve overall outcomes for members and may have a negative impact in terms of the level and type of retirement provision available.	
Q73	No. The proposed risk evaluation for pensions, requiring competent authorities to specify the details, provides a potentially more valuable risk management tool in a way that is relevant to IORPs in different member states.	
Q74	Yes, although the complexities involved in the calculation of the holistic balance sheet will mean that most users will not be able to understand and benefit from automatic public disclosure of the holistic balance sheet.	
Q75	No. The existing funding and risk management regimes in place at a national level are already adequate.	
Q76	Option 1	
Q77		
Q78	Yes	
Q79	Option 3	
Q80		
Q81		
Q82		
Q83		
Q84		
Q85	Level B. The existing regime is adequate in this area.	
Q86	Applied as a member state option.	
Q87	Level B	
Q88	Applied as a member state option.	
Q89		
Q90	No. It should be left to the discretion of member states.	

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Q91		
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Q97	Adopting a holistic balance sheet funding regime to IORPs could have a detrimental impact on the IORPs themselves, their members, and their sponsors, as well as for the European economy as a whole. This is recognised in the consultation itself which states that "IORPs may...not be able to comply with the new prudential requirements nor be able to set up a feasible plan for achieve compliance." This could ultimately lead to the end of defined benefit provision in the UK which has, historically, provided members with a secure form of retirement provision at an appropriate level.	
Q98	Whilst we do not support the introduction of a holistic balance sheet funding regime to IORPs, if such a regime were to be introduced then a lengthy transition period and the exclusion of accrued benefits would be essential.	
Q99		
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Q109	Whilst we do not support the introduction of a holistic balance sheet funding regime to IORPS, we consider Example 6 to be the most appropriate of the options outlined within the consultation paper - although we note that many other options are also possible.	
Q110		

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Q111	The obvious simplification that could be applied is not to use the holistic balance sheet at all. There is no evidence to support a revision of the existing IORP funding framework which has continued to work well, even in the existing challenging economic environment.	