European Insurance and Occupational Pensions Authority

EIOPA-BoS-21/447
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Resolution table for the Consultation Paper on the draft Opinion on the supervision of long-term risk assessment by IORPs providing DC schemes					
No	**Stakeholder**	**Quest.**	**Response**		**Resolution**
1	EIOPA OPSG	Q1	Yes	Since the business of an IORP is very much long-term in nature and the consequences from risk realization for the beneficiaries are also, such risk assessment also of course to be long-term. Since in a DC product a lot of risks, which in case of a DB product are carried by the IORP (and/or the employer), are shifted towards the beneficiaries, such risk assessment has to be from the perspective of the beneficiaries. Additionally, such risk assessment should cover all kind of relevant risks and this has to include obviously also operational risks. Also, these should ideally be quantified (if reasonable and possible) and properly integrated into the whole risk assessment (please look at the answer to question 4 for any further details regarding operational risks). However, the IORP II directive does not require a quantitative assessment of the operational risk and therefore an opinion of EIOPA on this subject goes beyond the scope of IORP II. Furthermore, it's up to the IORP to determine if there is a need to use pension projections to complement the ongoing risk management or to use other risk management techniques which	Noted. Noted, the opinion provides that CAs should encourage – not expect - DC IORPs to estimate the quantitative impact of operational risk.

				are equally suitable for the aforementioned purpose. In some cases IORPs already perform a risk management substantially aligned with the one recommended by EIOPA. The risk assessment should (at least) cover the full risk position from the beneficiaries´ point of view and shall result out of following categories of risk, which contribute to the total risk position: - Market risks for all the different asset classes (e.g. interest risk, equity risk, real estate risk, …) - Inflation risk - Counterparty risk - Operative (operational) risk (incl. outsourcing risk, IT-risk, Cyber-risk, leakage risk for sensitive data…) - Cost risk (see also the paragraph regarding costs in this paper) - Liquidity risk (if any) - Biometrical risk (especially longevity risk, which in a DC case is usually the risk of outliving one's assets; this kind of risk might not be applicable for all DC pension plans) While defining the guidance of the long-term risk management from the perspective of the members and beneficiaries for DC IORPs, the key difference between DB and DC IORPs has to be always considered: in general, in DC IORPs members and beneficiaries bear the risks; in DB IORPs the IORPs themselves (or the sponsor) bear the risks. The long-term risk management from the perspective of the members and beneficiaries for DC IORPs should never be interpreted, neither by the NSAs, nor by members and beneficiaries, as a legal duty on the IORPs to take responsibility for possible losses that could arise, as is the case of DB IORPs. In DC IORPs, while the schemes manage the long-term	Noted, not clear what these 'other' risk management techniques entail. Also, pension projections using scenario analysis is – as suggested - already common practice in many Member States – though sometimes for the purpose of information provision to members and beneficiaries – as well as past EIOPA stress tests and PEPP. Moreover, use of pension projections is consistent with Article 28(e) which requires IORPs to include in their ORA "an assessment of the risks to members and beneficiaries relating to the paying out of their retirement benefits [..]". Agreed, clarified in paragraph 3.16 that "all risks to which DC IORPs are exposed" should be considered. Noted, agreed but not explicitly mentioned in the opinion. Use of multiple

				risks of members/beneficiaries, in the end, and by definition in general, the losses are borne by members/beneficiaries. Conducting the long-term risk management from the perspective of the members and beneficiaries in the case of DC IORPs without a disclaimer on the key and defining distinction between DC and DB IORPs, risks to confuse on the real nature of DC IORPs that, in the end, could represent a real risk for members and beneficiaries.	scenarios should make clear that outcomes are uncertain for member and beneficiaries bearing risks.
2	aba Arbeitsgemeinschaft für betriebliche Altersversorgung	Q1			
3	Actuarial Association of Europe	Q1	Yes	Considering that every Pension Plan is a long-term financial business it is necessary to be assessed and monitor from perspective of embedded risks. The quantitative assessment is important step for managing the risks. For DC schemes some risks are usually borne by members of the plan - the investment risk, longevity risk, inflation risk, etc. The members of the DC plan are also exposed to the risk of insufficiency of the retirement benefits in long-term perspective. However, the standard definition for operational risk covers the risk of losses due to process failure or human mistakes or malpractices. Our understanding for OpR is that this one is borne by the managing company or shareholders of the plan, but should not be put on the account of members/ beneficiaries. For covering the Operational risk the IORPs usually are required to set aside additional capital. While the members of DC schemes usually are charged with particular fees – so they pay costs for administration and operation of the pension plan. Any capital or additional cost related to operational risk should be taken by the IORPs and/or their outsourcing partners . Furthermore, our understanding is that the consultation paper refers more to the risk of insufficiency of the amount of retirement benefits (time value of money) rather than to shifting operational risks themselves to members / beneficiaries. We consider the long-	Noted. In most Member States operational risk is borne by the IORP (or management companies), but this is not always the case (see Annex 1). Expectations on allocation of operational risks are not within the scope of the opinion.

				term projections as very important for every IORP and they should be done considering a lot of factors in case of DC plan – current level of income, size of contributions, charges, expected investment return, demographic factors, inflation, taxation and regulations. Being actuaries and risk managers, we believe that Operational risk has to be assessed quantitatively but not to be transferred to members/ beneficiaries of the IORPs.	
4	Assoeuropea	Q1	Yes	The Italian landscape of IORPs is mainly composed of DC schemes, so the initiative of EIOPA is of paramount importance and we welcome the opportunity to further reflect on these topics. In DC schemes the ultimate bearer of the risks is the member/beneficiary, so it is necessary that these IORPs consider the risks from the perspective of members and beneficiaries. The IORP2 directive goes in the right direction when requesting IOPRs in which members and beneficiaries bear risks, to consider in the risk management system, the risks from the perspective of members and beneficiaries. Also, it is important that the Own Risk Assessment requests IORPs to assess the risks to members and beneficiaries relating to the paying out of their retirement benefits. IORPs are aligning their risk management systems to the requirements stemming from the IORP2 directive, moreover, at least in certain jurisdictions (Italy, for example), the consideration of the risks from the perspective of members and beneficiaries, as envisaged by EIOPA, at least for some features, is nothing new and is a common tool (please, refers to the answer to Q 9 for a detailed explanation of the Italian landscape). As regards the consideration of quantitative elements in operational risk management, we deem positive that IORPs may start to do these evaluations. Against this background, Assoeuropea is not convinced that the	Noted.

				best way to proceed on these topics for EIOPA is to make references to models and formulas. IORP2 is a minimum harmonization directive as the EU IORPs are not a monolith; DC schemes themselves differ across the EU, being organized in different ways. It follows from these differences that the "one-size-fits-all" approach does not seem the best way to proceed. Assoeuropea calls for a bottom-up process, based on an assessment of the current models used by IORPs for quantitative evaluations of operational risks as well as for the consideration of the risks from the perspective of members and beneficiaries, once the directive has been fully implemented, and carried out by NCAs. The national assessment should be the basis to define models and formulas that could be used by IORPs as standards. After that, the national experiences could be shared also at EU level, to explore the opportunity to find commonalities between different DC IORPs experiences. In our view, the national dimension seems more appropriate to define such models and formulas. The advantage of the bottom-up process we suggest EIOPA to evaluate, is that formulas to measure quantitatively the operational risks as well as models for the risk assessment on the perspective of members and beneficiaries, would be based on the experiences that DC IORPs are developing in that period.	Noted, the opinion does not prescribe methods: - regarding the encouragement of quantification of operational risk, the opinion allows for own custom-made operational risk estimates and the standard formulas included in the annex. - regarding the long-term risk assessment, the opinion sets high-level principles, e.g. allowing for both deterministic and stochastic scenarios.
5	Fondo Cometa Pension Fund	Q1	Yes	We agree on the quantitative assessment especially of long term risks through the use of members' and beneficiaries' future retirement income projections, based on asset returns stochastic scenarios. The methodology is particularly valuable to shift the focus on the pension fund long term targets. On the other hand, the quantitative assessment of the operationl risk is more questionable, mainly because of the difficulties to apply the standard formula proposed in the opinions (see answer n.5) and the outsourcing extensive use by Cometa, and by most of the other italian pension funds.	Noted. Noted, the opinion provides that CAs should encourage – not expect - DC IORPs to estimate the

				Taking all this into account, in our opinion the national dimension would be more appropriate to define models and formulas to be used as standard in the operational risk assessment. Only later the national experiences can be shared to find commonalities between different DC Iorps at EU level.	quantitative impact of operational risk, allowing for own custom-made operational risk estimates and the standard formulas included in the annex.
6	German Association of Actuaries (DAV)	Q1	Yes	Yes, it does make sense to do long-term risk assessment from the perspective of members and beneficiaries for pure DC plans. A quantification of operational risks is difficult as also recognized by EIOPA, methods to measure operational risk should be implemented with care to reach transparency where possible and avoid misinterpretations, e.g. taking the size of IORPs.	Noted.
7	German Insurance Association (GDV)	Q1	No	The range of occupational pension products is heterogeneous. There are great differences in the design of DC commitments in the EU. The design of pension products also depends on national specificities. The design of the only DC commitment available in Germany to date, the 'reine Beitragszusage', within the framework of the German 'Sozialpartnermodell' is based on a collective approach. In this approach, as described in 2.7, social partners are actively represented in the design of the pension scheme; a consideration of the preferences of the members and beneficiaries is therefore granted by law. In our opinion, this design of a DC commitment is not sufficiently taken into account in EIOPA's consultation draft. Accordingly, our responses are often negative. It is reasonable to consider risks from the perspective of members and beneficiaries in DC schemes. However, the attempt to forecast the future retirement income via stochastic modelling and estimation is associated with great uncertainty due to a large number of influencing factors: the size, significance, interaction and path of which are unknown and the long forecast period. The projection of labour market risk, on an individual or aggregate level, should not be the task of an IORP. Corresponding estimates	Noted, according to IORP II Directive, IORPs also have their own responsibility with regard to risk management and investment of assets. The opinion specifies that appropriate methodologies should be used to establish risk tolerance. Paragraph 3.32 does not only give surveys as an example, but also indirect measurements through representatives of DC members (like social partners). Partially agreed, opinion was changed in order to

				would be at some point arbitrary and exhibit large standard errors; point estimates of retirement income would accordingly have a very large confidence interval. If pension benefits were also involved, the extended forecast period would lead to even greater uncertainty in the forecast. The gain in knowledge for national supervision is doubtful as it is for members and beneficiaries of IORPs. In contrast, deterministic scenario-based ALM has a real added value for all stakeholders, also from a cost-benefit point of view. Provided VaR formulas for assessing the operational risks in the consultation paper have no additional benefit. Their determination is unclear just as its usage by the NCA. IORPs providing the so far only available DC commitment in Germany, the 'reine Beitragszusage'/'Sozialpartnermodell', report already a great deal of quantitative information to the NCA. This enables a comprehensive, consistent risk assessment. The German 'Sozialpartnermodell' exhibit an inherent risk management provided by legislation and agreements among social partners. It should be considered in EIOPA's opinion that social partners take members' and beneficiaries' interests and preferences extensively into account. Additional individual surveys to determine risk preference of members and beneficiaries (3.29 -3.33) should therefore be optional for reasons of efficiency, provided that social partners are involved. Additional regulation which explicitly focus on members' and beneficiaries' preferences is therefore not necessary. For IORPs offering DC, further quantitative requirements for long-term risk assessment should be therefore at most optional for DC schemes which consider the risk preference of members and beneficiaries by design. Furthermore, we call for equal treatment of DC IORPs in the determination of operational risk, irrespective if performances are executed internally or externally (3.8). The principles of equality of competition and proportionality should be taken into account in this context.	provide that pension projections can be based on stochastic or deterministic scenarios. Also example of labour market risk was removed, while stating that all risks should be taken into account. Noted, the opinion allows for own custom-made operational risk estimates and the standard formulas included in the annex.

					Agreed, "at least the activities performed internally" was deleted.
8	Insurance Europe	Q1	No	While it makes perfect sense to consider risks from the perspective of DC members and beneficiaries, the insurance industry believes that EIOPA's proposals should take better account of the IORP II Directive requirements and the diversity of occupational pensions across Europe. The design of pension products and schemes varies greatly across Europe and, therefore, a one-size-fits-all risk measurement is unlikely to work.	Noted, the opinion does not follow a one-size-fits-all approach: - regarding the encouragement of quantification of operational risk, the opinion allows for own custom-made operational risk estimates and the standard formulas included in the annex. - regarding the long-term risk assessment, the opinion sets high-level principles, e.g. allowing for both deterministic and stochastic scenarios.
9	PensionsEurope	Q1	No	We do agree that following the IORP II Directive, where members and beneficiaries bear risks, the risk management system shall also consider those risks from the perspective of members and beneficiaries. Effective risk management is essential for any IORP, and the protection of members and beneficiaries is very important for us and our members. It is critical that IORPs have appropriate systems and processes in place to identify, monitor and manage risks. As also further explained in Q3 below, it is critical that the scope of application of the Opinion is consistent with the internationally recognised understanding of DC schemes, i.e. limited to schemes where members and beneficiaries bear all risks.	Noted. Partially agreed, opinion changed to reflect DC definition used in EIOPA's regular occupational pensions data reporting and by OECD. However, in line with IORP II Directive, CAs should also expect other IORPs to perform risk

				All our answers regarding the focus and elements of the risk management for DC schemes are in consequence limited to those DC schemes and they should under no circumstances lead to a situation where some IORPs are considered both DB and DC and subsequently have to comply with both sets of regulation. However, since many Member States have transposed the IORP II provisions only very recently, we believe it would be better to first research the different approaches and practices that have been adopted and only after a reasonable timeframe, consider whether it is appropriate to set new supervisory expectations. Although not binding, the fact that EIOPA is monitoring the national implementation of its opinions and guidance puts pressure on national supervisory authorities, thus risking setting new standards/benchmarks that might not be adequate for the national contexts. We note that this opinion encourages CAs to take specific approaches and a preferred methodology on risk assessment, thus going beyond the minimum-harmonisation character of the IORP II. The minimum-harmonization-level framework for risk management of IORPs was deliberately calibrated in the IORP II by the EU legislator to provide a robust framework while allowing enough room for MSs and NCAs to adapt the provisions to the characteristics of the IORPs they supervise and to the national context in which they operate. The EU legislator considered that there is no need for uniform supervisory practices and approaches throughout the Union for IORPs, and calibrated the IORP II provisions to allow the flexibility needed by CAs to accommodate the heterogeneity of pension provision in their jurisdiction and the fact that pension policy remains primarily a competence of the MSs. Also, the EU legislator decided to not include any delegated acts in this Directive, as it considered that there is no need for full harmonization or uniform conditions for its implementation. The legal and supervisory framework in which IORPs operate is diverse, as it is set not only by	assessment from the perspective of members and beneficiaries, where they are exposed to material risks, taking an approach proportional to those risks. Noted, minimum-harmonisation approach of the IORP II Directive does not exclude the opinion's aim to enhance supervisory convergence, as foreseen in Article 29(1)(a) of the EIOPA Regulation (EU) No 1094/2010. Noted, the opinion does allow for differences between Members States and IORPs: - regarding the encouragement of quantification of operational risk, the opinion allows for own custom-made operational risk estimates and the standard formulas included in the annex. - regarding the long-term risk assessment, the

				the minimum-harmonization provisions of the IORP II Directive, but first and foremost by the different applicable national social, labour and tax laws. All in all, we very much welcome the recognition of the heterogeneity in occupational DC schemes across Europe and of the differences in DC schemes described in par. 2.7, but we think it should be better reflected throughout the Opinion. We would like to stress that there are fundamental differences between pure DC schemes where no risk is shared at all, usually coupled with choice for the individual, and collective systems with or without a mechanism to smooth the impact of capital market developments, often coupled with less choice for the individual. Collective systems often include security mechanisms, such as the involvement of the social partners, and should therefore be treated differently.	opinion sets high-level principles, e.g. allowing for both deterministic and stochastic scenarios. - regarding the establishment of the risk tolerance, the opinion specifies that appropriate methodologies should be used without being prescriptive.
10	PensioPlus	Q1	No	We do agree that following the IORP II directive, where, in accordance with the conditions of the pension scheme, members and beneficiaries bear risks, the risk management system shall also consider those risks from the perspective of members and beneficiaries. The IORP II directive does not require a quantitative assessment of the operational risk and therefore an opinion of EIOPA on this subject goes beyond the scope of IORP II. It's up to the IORP to determine if there is a need to use pension projections to complement the ongoing risk management.	Noted, the opinion provides that CAs should encourage – not expect - DC IORPs to estimate the quantitative impact of operational risk. Noted, pension projections using scenario analysis is already common practice in many Member States – though sometimes for the purpose of information provision to members and beneficiaries – as well as past EIOPA stress tests and PEPP. Moreover, use of pension projections is consistent with Article

					28(e) which requires IORPs to include in their ORA "an assessment of the risks to members and beneficiaries relating to the paying out of their retirement benefits [..]".
11	EIOPA OPSG	Q2	Yes	Risk assessment (and management) is one necessary key functionality for any IORP. As stated in the OPSG´s position paper on Asset Liability Management (ALM) and Financial Instruments (2018) this holds both for DB schemes AND for DC schemes. For both types of occupational pension plans the respective IORP should focus on providing an adequate pension (i.e. benefit) level while incurring an acceptable level of risk, in order to sustainably finance a certain guaranteed (in case of DB) or envisaged (resp. planned or targeted in case of DC) level of present and future benefit payments. In contrast to a DB pension scheme, an IORP providing a DC pension plan usually has much less risk out of that pension plan (if there is any risk at all for the IORP except for operational risk). But the risks have not vanished – they just have been shifted from the IORP and/or the sponsor to the beneficiaries and members. Hence, also and especially in case of DC schemes the general risk structure and especially the risk of not reaching an envisaged pension target for the beneficiary has to be properly assessed. In such an assessment many characteristics of the respective DC pension plan and of the respective IORP have to be taken into account including the demographic decomposition of the population of present and future beneficiaries (in case of collective DC pension plans), regulatory requirements (if any), the actual benefit level, which could be reached given the current state of the investment portfolio and its value, the type and specifications of the respective pension product (including payout	Noted.

				options, benefits for widows resp. widowers and orphans, investment smoothing, guaranteed returns, solidarity between members, sponsor involvement, …), the actual investment portfolio, eventually existing options for the member to select a specific investment strategy (and possibilities to switch between such strategies) etc.. Since in general the majority of all risks is carried by the beneficiaries, such risk assessments have to be at least as accurate as in the DB case and should of course take a properly estimated or assessed risk tolerance of the members and beneficiaries into account. However, such estimation or assessment has to be done with proportionate measures on the side of the IORPs or employers. Every undue cost or effort would jeopardize the pension product and/or the willingness of employers to offer such occupational pension, which in the end definitely would not be in the interest of members and beneficiaries. So, in general the OPSG appreciates EIOPA´s target, that such assessment shall be done under aspects of proportionality and that EIOPA leaves the choice of methods in many aspects to the respective IORP. In total, the OPSG very much appreciates EIOPA´s initiative to work on risk management tools not only for DB but also for DC schemes. However, the OPSG wants to stress, that this initiative can only be a concretization of existing rules and procedures under the current IORP II directive, in which, inter alia, some of the features of the proposed Opinion are already addressed (i.e. operational risks in the own risk assessment, national rules for pension projections under the Pension Benefit Statement). From the OPSG´s point of view this proposal is clearly not meant to give any opinion with regard to the upcoming review of the IORP II directive (Directive (EU) 2016/2341). This would be far too early from the OPSG´s point of view, since in many countries the current IORP II directive has been transformed into national law quite late or even maybe incorrect, so that there is currently not enough practical and meaningful	

				experience available. Furthermore, it has to be mentioned, that risk asessment as such should be nothing new for DC pension plans. It is already today an integral part of any DC pension plan management and is a well exercised practice: there exists already a stress test also for DC pension plans on a pan-European level and also many kinds of own risk assessments are carried out by the IORPs already today, which give the IORP´s management absolutely necessary information for steering the pension product. Any additional guidance has to take into account current existing practices in Member States in this respect. However, in 2.3. EIOPA concludes that few member states conduct DC risk assessment in IORPs using projected retirement benefits and risk tolerance. Yet EIOPA in it's opinion uses the argument of supervisory convergence to force the majority of member states also to introduce these practices. This is clearly against the objective of IORP II on minimum harmonization, neglecting the heterogeneity between different member states and IORPs and again increasing costs for a large number of IORPs. Costs that in this case will reduce the retirement income of the members and beneficiaries. EIOPA mentions in 2.9 that a consistent supervisory approach will benefit DC members, in particular mobile workers, contributing to similar levels of protection and preventing regulatory arbitrage. This is very strange in the constellation of occupational pension schemes given that risk management, including from the perspective of the members and beneficiaries is one of the cornerstones of IORP II, where IORP II is based on a minimum harmonization. In 2.9. apparently EIOPA finds it important to ensure cross-sectoral consistency with the PEPP regulation, which is not an objective of IORP II, but at the same time this opinion does not consider the importance and implications of national social and labour law, which is part of IORP II. Referring to recital 20 of the PEPP regulation, "a PEPP is an individual non-occupational pension product subscribed to voluntarily by a PEPP	Agreed, cost and benefit analysis was modified to clarify the principle-based approach – instead of a uniform approach – taken by the opinion. Moreover, it is emphasised that it is important to limit the impact on national IORP system in order to promote provision occupational DC schemes.

				saver in view of retirement…." which fundamentally differs from an occupational pension product where individuals are mandatorily affiliated in the context of an employment and as part of compensation benefits which are defined by social partners.	
12	aba Arbeitsgemeinschaft für betriebliche Altersversorgung	Q2			
13	Actuarial Association of Europe	Q2	Yes	The IORP II Directive requires the risk management system of pension scheme to cover all risks from both perspectives – for Pension plan and for members. The regular ORA process should also include assessment of risks for members related to their retirement benefits. However, our understanding is that operational risk should NOT have immediate impact on members in terms of accumulated capital and future retirement income (opposite on the statement 2.2 of Annex 2). As it is stated in the consultation in some members states the risk assessment for DC plan is already in place. Therefore, any new guidance should consider carefully the existing practices and the specifics of the DC schemes. In addition, the risk assessment of the risks borne by members should take into account the risk tolerance defined by members/ beneficiaries. In all cases such assessment has to be done under aspects of proportionality, considering additional costs and specifics of the pension schemes. Since in case of DC plans a majority of risks are borne by members, we appreciate the initiative to have a consistent approach in risk assessment process.	Noted. In most Member States operational risk is borne by the IORP (or management companies), but this is not always the case (see Annex 1). Expectations on allocation of operational risks are not within the scope of the opinion. The opinion provides CAs and IORPs with considerable flexibility: - regarding the long-term risk assessment, the opinion sets high-level principles, e.g. allowing for both deterministic and stochastic scenarios. - regarding the establishment of the risk tolerance, the opinion specifies that appropriate

					methodologies should be used without being prescriptive.
14	Assoeuropea	Q2	No	Annex 2 seems to provide general expectations in terms of costs and benefits stemming from the expected Opinion, on which we agree. It may be important to encourage IORPs to start to quantify operational risks exposures in terms of asset value losses, also if the IORP2 directive only requests for qualitative measurements. Assoeuropea deems positive that DC IORPs use projections for future retirement income to assess the risks from the perspective of members and beneficiaries. We agree on the fact that stochastic projections may be more insightful than deterministic, but they come with higher costs and so we appreciate the proportional approach followed by EIOPA to leave some room at national level (stochastic vs. deterministic). However, an effective analysis of the real costs that IORPs should bear to implement the proposed new risk management requirements is missing while being a relevant piece, not only for small DC IORPs, but also for schemes where such projections are already made. For the latters, even though EIOPA is planning to allow for sufficient flexibility in order not to interfere, even the mere definition of a limited number of high-level principles may be problematic, in the measure in which they are not aligned with those in place. In our view, such costs assessment could be better done at national level, as the NCAs are well placed to do these evaluations, given that IORP2 directive does not back or propose risk management models and DC IORPs are free to define the stochastic (or deterministic) approach that better fit its needs. It should follow the assessment of the risk management methodologies used by DC IORPs to take into account risks in the perspective of members and beneficiaries, as a	Noted. Partially agreed, the opinion provides CAs and IORPs with considerable flexibility, which was clarified in the cost-benefit analysis. The opinion was modified in order to provide that pension projections can be based on stochastic or deterministic scenarios. The opinion sets high-level principles for the long-term risk assessment, like market-sensitive and realistic assumptions, which are essential to produce meaningful risk assessments.

				step of the process to define the national best practices.	
				EIOPA bases the will to define rules on the measurement of operational risks and on the risk assessment in the perspective of members and beneficiaries on the finding that only in few Member States national regulations and/or supervisory guidance are in place. However, the reason for these findings is that IORP2 has been fully transposed in the Member States only recently and NCAs are currently gradually issuing the second level regulation. It means that IORPs are aligning to the directive (at least it is the case of Italy). Based on that, the findings of the survey are not a surprise, IORPs need time to fully implement the new and costly provisions of the IORP2 directive. As regards operational risks, it is worth to remind that IORP2 only requests for qualitative evaluations.	Partially agreed, the possibility of further national measures has been mentioned in section 1.2 of the impact assessment.
				Moreover, in general, given that the adequacy of the retirement income is the institutional goal of IORPs, the management of the IORPs themselves already takes into account the risks from the perspective of members and beneficiaries. It happens both in the case in which risks are borne by the sponsors, and in the case in which risks are borne by members and beneficiaries. As an example of that, EIOPA should consider that the investment of the assets obey the prudent person principle and the assets shall be invested in the best long-term interests of members and beneficiaries as a whole (Directive 2016/2341, art. 19). Since the risk management system also has to consider the risks stemming from investments, it means that, by definition, risk management already takes into account the risks in the perspective of the members and beneficiaries.	Agreed, prudent person rule is referred to in the cost-benefit analysis, also illustrating that the opinion clarifies the IORP II Directive for the purpose of national supervision.
				Assoeuropea is concerned by the will of EIOPA to ensure cross-sectoral consistency with the PEPP regulation. EIOPA contradicts	Agreed, cost and benefit analysis was modified to

				the recital 19 of Regulation (EU) 2019/1238 which states that the PEPP Regulation won't affect occupational schemes and products. Moreover, recital 20 states that a PEPP is an individual non-occupational pension product. We do not recognize neither the opportunity nor the need to ensure cross-sectoral consistency between DC IORPs and PEPPs. Of course, an IORP providing a PEPP will have to abide by the PEPP regulation.	clarify the principle-based approach taken by the opinion relative to the more uniform approach of PEPP.
15	Fondo Cometa Pension Fund	Q2	Yes	In our opinion the annex 2 properly considers all the benefits and the costs borne by the pension fund for the implementation of a risk-sensitive supervision of risks assessment using future retirement income projections. Cometa, one of the largest pension fund in Italy, in accordance to the italian regulatory requirements, has been using these methodologies for a while, and can confirm that the benefits exceed the costs. Each pension fund should assess its strategies long term risk implications, at least at the time of the three year risk assessment implementation and of the investment policy draw up.	Noted.
16	German Association of Actuaries (DAV)	Q2	Yes	In general more information is beneficial, however the generation of information comes at a cost. According to 2.8 ("Considering the principle-based and proportionate approach"), EIOPA is confident that the potential benefits of the Opinion exceed the potential additional costs for DC IORPs. EIOPA clearly sees the need for a proportionate approach and that cost considerations are an important part of such an approach. This should be reflected in any principles adopted and requires more work on a detailed level.	Noted, cost-benefit analysis was adjusted to clarify the principle-based approach – instead of uniform approach - taken by the opinion. Moreover, opinion was modified in order to provide that pension projections can be based on stochastic or deterministic scenarios.
17	German Insurance Association (GDV)	Q2	No	The benefit of the consultation proposal remains unclear. How the forecast of the future retirement income is supposed to be a	Partially agreed, the cost-benefit analysis was

				better measure than other risk measures, some of which are already fixed in the national laws and/or used by IORPs, is not provided. How the information on the forecast of long-term pension income is used and further processed by the NCA to enable an objective added value for members and beneficiaries also remains uncertain. How the proposals improve the existing regulation, especially in the context of national regulations on risk management, is not shown. In our view, however, this is exactly the task that would have been necessary for a meaningful analysis before imposing new regulation of quantitative risk management. In the German 'Sozialpartnermodell', capital market risks and longevity risks are shared within the collective of members and/or beneficiaries, so that none has to bear its risk alone. The investment policy implements the preferences of the members and beneficiaries. Moreover, social partner can agree on additional risk buffers. The design must be within a certain legal framework. Achieved retirement capital must be annuitized. The amount of the funded ratio for the expected starting pension is to be reported to the NCA for each financial year. Additional regulation which explicitly focus on members and beneficiaries preferences is therefore not necessary. This only generates unnecessary costs without added value.The reference to a consistent supervisory approach (p. 22) as described in 2.7 is questionable. The choice of a variety of possible methods and parameters for projection is the responsibility of the IORP, the decision on the analysis specifications lies in the hands of the NCA. As DC schemes differ significantly across national specificities, the reference to "similar levels of protection" (2.9) is questionable, too. It is also unclear how arbitrage can arise regarding regulation (2.9). The reference to PEPP is more confusing than useful, since the variety of possibilities for structuring a DC scheme means that the comparison with PEPP cannot be target-oriented. On the other	modified to better reflect that the opinion does not provide "new regulation" but rather clarifies the IORP II Directive for the purpose of national supervision. The use of pension projections is consistent with Article 28(e) which requires IORPs to include in their ORA "an assessment of the risks to members and beneficiaries relating to the paying out of their retirement benefits [..]". The cost-benefit analysis was also adjusted to clarify the principle-based approach – instead of uniform approach - taken by the opinion, while recognising the benefits of some degree of supervisory convergence.

				hand, it is obvious that the national implementation of proposed ideas by EIOPA's consultation would lead to considerable costs.	
18	Insurance Europe	Q2			
19	PensionsEurope	Q2	No	We believe the analysis could be improved. Although we appreciate that EIOPA has included a cost-benefit analysis, thus recognising the need to assess it, in our opinion, the information included in Ann. 2 and the analysis of Ann. 1 do not enter into enough details to allow the reader to understand the link between the evidence shown in the analysis and the need to fill the "gap" (see par 2.6) through the opinion itself. The analysis reaches the conclusion that "there is no assurance that risks borne by DC IORPs – most notably operational risks – and by members and beneficiaries in terms of future retirement income are appropriately managed and supervised ". In our view, this conclusion is not supported by enough analysis. EIOPA bases this on the considerations that: a) In few MSs, national regulation and/or supervisory guidance specifies how IORPs should conduct DC risk assessment […], also in relation to establishing their risk tolerance and designing and reviewing the investment strategy. b) In few MSs, national regulation and/or supervisory guidance lays down specific quantitative risk measures for operational risk. We believe the cause-effect link between these considerations and the conclusion should be better explained. a. The lack of further specifications on how IORPs should conduct risk assessment from the perspective of members and beneficiaries does not imply that members and beneficiaries are not protected. Investment strategies should (and do) consider risks (also) from the point of view of members and beneficiaries.	Partially agreed, more country-level detail has been provided in the summary of survey results. Moreover, the cost-benefit analysis has been improved.

				Compliance with the prudent person rule requires an investment policy geared to the IORP's membership structure, and the IORP II Directive requires disclosing to members information on pension projections in the PBS. In 2.3. EIOPA concludes that few MSs conduct DC risk assessment in IORPs using projected retirement benefits and risk tolerance. Yet, EIOPA uses the argument of supervisory convergence to encourage the majority of MSs to introduce these practices. This runs against the minimum-harmonization character of the IORP II, neglecting the heterogeneity between different MSs and IORPs and increasing costs for IORPs. These costs will reduce the retirement income of the members and beneficiaries of DC schemes. We believe NCAs are best placed to know how members and beneficiaries' risk tolerance should be assessed and eventually how it should be considered in the IORPs' investment strategy. NCAs are best placed to know how to supervise their IORPs, eventually also according to such an assessment, taking into account the specificities of the IORPs, e.g. the level of risks the member's bear (e.g. with a level of guarantee, lump-sum payment or annuity to buy at retirement age) and the level of influence members and beneficiaries have to avoid this risk in part or in whole (e.g. by making their own investment choice, by opting for a guarantee). The risk tolerance of members and beneficiaries can be difficult (and consequently costly) to be assessed (see further comments on risk tolerance in Q11). b. Having specific quantitative risk measures for operational risk does not ensure that risks borne by DC IORPs – most notably operational risks – and by members and beneficiaries in terms of future retirement income are appropriately managed and	Prudent person rule is referred to in the cost-benefit analysis, also illustrating that the opinion clarifies the IORP II Directive for the purpose of national supervision Minimum-harmonisation approach of the IORP II Directive does not exclude the opinion's aim to enhance supervisory convergence, as foreseen in Article 29(1)(a) of the EIOPA Regulation (EU) No 1094/2010. The opinion provides CAs and IORPs with high-level principles and considerable flexibility, also allowing for differences in pension schemes. Regarding the establishment of the risk tolerance, the opinion specifies that appropriate methodologies should be used without being prescriptive.

				supervised. EIOPA should not ask NCAs to encourage DC IORPs to quantify operational risk exposures in terms of asset value losses, nor to require IORPs to use a stochastic or a deterministic model to calculate pension benefit projections, nor what kind of stochastic model they should use, nor to benchmark their model with a common one set as a standard at the EU level. Each NCAs should be able to decide what is more appropriate. Also, the conclusion reached in par. 2.8 of Annex 2 seems not supported by enough evidence. We appreciate that EIOPA is confident that the potential benefits of the opinion will exceed the potential additional costs, but this is not supported by thoughtful cost-benefit analysis. EIOPA mentions in par. 2.9 that a consistent supervisory approach will benefit DC members, in particular mobile workers, contributing to similar levels of protection and preventing regulatory arbitrage. We note that risk management, including from the perspective of the members and beneficiaries, is one of the cornerstones of IORP II, which is based on a minimum harmonisation. Finally, we question the reference made in par. 2.9 to the importance of ensuring cross-sectoral consistency with the PEPP Reg. This is not an objective of the IORP II. Recital 20 of the PEPP regulation states that "a PEPP is an individual non-occupational pension product subscribed to voluntarily by a PEPP saver in view of retirement […]". This fundamentally differs from an occupational pension scheme where individuals are mandatorily affiliated in the context of an employment and as part of compensation benefits that are defined by social partners.	The cost-benefit analysis was adjusted to clarify the principle-based approach – instead of uniform approach - taken by the opinion, while recognising the benefits of some degree of supervisory convergence.

20	PensioPlus	Q2	No	In 2.3. EIOPA concludes that few member states conduct DC risk assessment in IORPs using projected retirement benefits and risk tolerance. Yet EIOPA in it's opinion uses the argument of supervisory convergence to force the majority of member states also to introduce these practices. This is clearly against the objective of IORP II on minimum harmonization, neglecting the heterogeneity between different member states and IORPs and again increasing costs for a large number of IORPs. Costs that in this case will reduce the retirement income of the members and beneficiaries. EIOPA mentions in 2.9 that a consistent supervisory approach will benefit DC members, in particular mobile workers, contributing to similar levels of protection and preventing regulatory arbitrage. This is very strange in the constellation of occupational pension schemes given that risk management, including from the perspective of the members and beneficiaries is one of the cornerstones of IORP II, where IORP II is based on a minimum harmonisation. In 2.9. Apparently EIOPA finds it important to ensure cross-sectoral consistency with the PEPP regulation, which is not an objective of IORP II, but at the same time this opinion considers the importance and implications of national social and labour law, which is part of IORP II. Referring to recital 20 of the PEPP regulation, "a PEPP is an individual non-occupational pension product subscribed to voluntarily by a PEPP saver in view of retirement…." which fundamentally differs from an occupational pension product where individuals are mandatorily affiliated in the context of an employment and as part of compensation benefits which are defined by social partners.	Noted, minimum-harmonisation approach of the IORP II Directive does not exclude the opinion's aim to enhance supervisory convergence, as foreseen in Article 29(1)(a) of the EIOPA Regulation (EU) No 1094/2010. Partially agreed, the cost-benefit analysis was adjusted to clarify the principle-based approach – instead of uniform approach - taken by the opinion, while recognising the benefits of some degree of supervisory convergence.
21	EIOPA OPSG	Q3	Yes, Opinion should apply	The opinion shall in general apply to all IORPs where members and beneficiaries bear material risks. However, it has to be taken into	Agreed, opinion changed to reflect DC definition used

			to all IORPs where members and beneficiaries bear material risks	account, that there will remain a clear distinction between the DB sphere and the DC sphere. For example, for a DB product providing guaranteed benefits and some additional non-guaranteed profit participation mechanisms already very far reaching risk assessments have to be done in many European countries. Such institutions are also participating in the (non-DC-part) of EIOPA´s pan-European stress-test and hence should not be covered by this DC risk assessment. In general, we have to make sure, that any kind of "in-between-product" (between DB and DC) has to do only either the prescribed risk assessments for DB plans or the ones for DC – and not both at the same time. A simple and practical criterion could be, that all IORPs/products, which do not fall under EIOPA´s stress-test for DB schemes fall under the regime of a DC risk assessment. In any case we strongly object the introduction of a new definition of DC schemes. Any scheme where the IORP or the sponsoring undertaking offer a guarantee is under all international definitions a DB plan and should continue to be considered as such. A new definition will only introduce confusion. In addition, we do not agree that the same risk management should be applied to these types of plans as the distribution of the risk between sponsor, IORP and members and beneficiaries is totally different.	in EIOPA's regular occupational pensions data reporting and by OECD. In line with IORP II Directive, CAs should also expect other IORPs to perform risk assessment from the perspective of members and beneficiaries, where they are exposed to material risks, taking an approach proportional to those risks.
22	aba Arbeitsgemeinschaft für betriebliche Altersversorgung	Q3	No, Opinion should apply to IORPs where members and beneficiaries bear all risks	From our perspective, the Opinion should take the widely shared understanding of what constitute a DC scheme and only apply to schemes where members and beneficiaries bear all risks. The Draft Opinion correctly quotes the IORP II Directive and its implicit definition of DC as a system, where members bear investment risk. Understanding of the IORP II Directive is different: During the review of the IORP Directive as well as when transposing the Directive, DC has been understood as a plan where members bear all risks. This comprised biometric risks as well as investment risks. A plan is characterised as DB as soon as it includes guarantees –	Partially agreed, opinion changed to reflect DC definition used in EIOPA's regular occupational pensions data reporting and by OECD. In line with IORP II Directive, CAs should also expect other IORPs to

				e.g. a minimum guarantee or rules around indexation in the pay-out phase. International standards: This understanding is also shared by the OECD, who applies it both in statistical work and when developing policy recommendations. The OECD takes the perspective of the employer and defines a DC pension plan as a plan, under which the employer pays fixed contributions and has no obligation to pay further contributions. As soon as there is an element of guarantee which means that an employer might have to pay further contributions, a scheme is considered a type of DB (Private Pensions: OECD Classification and Glossary - OECD). The IASB also uses this definition.In this Draft Opinion, this definition is turned upside down: A system is considered DC as soon as the members / beneficiaries bear (material) risk. As an example it is stated that a scheme with a minimum guarantee would fall under that definition. This illustrates how broad this definition would be. We do not see any arguments provided in the document why this is necessary and whether the added value from the changed definition outweighs the confusion this differing definition would no doubt bring. The proposal is unclear: Regardless of the existing international definitions, there are further issues with the proposal by EIOPA: the widening of the definition leads to a lot of conceptual and practical questions: How should “minimum” and “materiality” be defined in the sense of No. 3.2 and 3.3? What is a suitable definition of a “minimum” guarantee to qualify as DC? Are these absolute levels of guarantees, and if yes, how are they defined? These aspects are only some for illustration. What would be the regulatory consequences of applying this definition? Art. 25 of the IORP II Directive states that the risk management should be tailored to the circumstances at hand. So if against our arguments the definition was changed, it should not lead to the same regulatory requirements for all schemes. Applying this requirement of the IORP II Directive means that the NCAs need the leeway to determine what is needed for their systems. In a second step,	perform risk assessment from the perspective of members and beneficiaries, where they are – based on an assessment of the CA - exposed to material risks, taking an approach proportional to those risks.

				IORPs then need adequate flexibility to assess where they stand regarding e.g. their internal organisation, size and complexity. Under no circumstances should an IORP be subject to both DC and DB requirements. A widely accepted and applied definition should not be changed in an EIOPA Opinion: Such an important issue as the definition of what constitutes DC and DB should not be determined in an EIOPA Opinion. Rather, if there are problems with the current definition (and only then), this should be discussed broadly e.g. during the review of IORP II. Where in doubt, national competent authorities should apply the definition: As EIOPA states in No. 2.7, occupational pensions systems across the EU are heterogeneous. Where in doubt whether a plan should be considered DC or DB, the national competent authorities should apply the implicit definition of the IORP II Directive to their respective systems, bearing in mind all relevant national characteristics. The Opinion should provide leeway for this by referring to the IORP II Directive but leaving it to the national competent authorities to apply it. We welcome in this context that No. 2.8 explicitly states that competent authorities "may take into account that national specificities of the IORP sector to determine the requirements necessary for implementing this Opinion considering a risk-based and proportionate approach" – in fact, this should not be an option for the NCAs, but always be the case. Our proposal: EIOPA should not change the definition of what is considered DB and DC. Rather, they should stick to the internationally recognised definition, which should be applied by the national competent authorities to their respective pension systems.	
23	Actuarial Association of Europe	Q3	Yes, Opinion should apply to all IORPs where members and	In the set-up outlined in the consultation, member benefits will be determined by a combination of guarantees and investment performance, any projections should reflect these dual drivers of benefit levels. Main focus of risk management should be pure DC-parts of benefits as DB-parts are mainly determined by pension	Noted.

			beneficiaries bear material risks	plan. The collective nature of DC-elements in some countries or pension plans should be reflected in the risk management of schemes.	
24	Assoeuropea	Q3	Yes, Opinion should apply to all IORPs where members and beneficiaries bear material risks	Assoeuropea agrees that the expected Opinion should apply to all IORPs where members and beneficiaries bear material risks, even though the concept of materiality does not seem to be well defined, and boundaries between IORPs are becoming blurred. As EIOPA itself recognizes, also in DB schemes with full guarantees members and beneficiaries are exposed to some risks and it appears to be restrictive to limit the expected Opinion to schemes where risks are fully borne by members and beneficiaries. The risk management in the perspective of members and beneficiaries should be carried out by all IORPs for which these risks matter. Assoeuropea is of the opinion that the IORPs themselves are better placed to determine when members and beneficiaries bear material risks, especially once the alignment to IORP2 will be fully realized.	Noted.
25	Fondo Cometa Pension Fund	Q3	Yes, Opinion should apply to all IORPs where members and beneficiaries bear material risks	In the case of Cometa pension fund members and beneficiares definitely bear material risks	Noted.
26	German Association of Actuaries (DAV)	Q3	No, Opinion should apply to IORPs where members and beneficiaries bear all risks	The scope of the application should be restricted to pure DC schemes (i.e. where members and beneficiaries bear all risks). In Germany this would only apply to the schemes "Reine Beitragszusage" according to German law BRSG ("Betriebsrentenstaerkungsgesetz") passed on 2017/07/17 and not to DC schemes implemented to other German legislation. The collective nature of DC-elements in German pension plans	Noted, definition of DC was amended, but CAs should also expect other IORPs to perform risk assessment from the perspective of members and beneficiaries, where they are exposed to material

				according to "Reine Beitragszusage" should be an essential part of risk management.	risks, taking an approach proportional to those risks.
27	German Insurance Association (GDV)	Q3	No, Opinion should apply to IORPs where members and beneficiaries bear all risks	In a possible Opinion, EIOPA should acknowledge the precedence of existing national regulations. The scope of the Opinion should be limited to pure DC, since pension schemes with (minimum) guarantees are already subject to comprehensive regulation and supervisory scrutiny, requiring effective risk management and resulting in high safety levels for the beneficiaries. In any case, pension schemes with liability obligations of the employer, as for example in Germany according to Company Pensions Act (§ 1 Abs. 1 BetrAVG), should not be in the scope of the consultation.	Noted, definition of DC was amended, but CAs should also expect other IORPs to perform risk assessment from the perspective of members and beneficiaries, where they are exposed to material risks, taking an approach proportional to those risks.
28	Insurance Europe	Q3	No, Opinion should apply to IORPs where members and beneficiaries bear all risks	The definition of DC schemes used in the draft opinion (3.2) is often broader than national ones. This would have far-reaching consequences, while bringing no added value to supervisory authorities or to IORPs' members and beneficiaries. On the contrary, it would create unnecessary additional costs and compliance burdens because DC IORPs are already subject to comprehensive regulation and supervisory scrutiny both at national and European level. Against this background, the insurance industry recommends narrowing the definition to pure DC commitments only. Regardless of their definition, DC pension schemes sponsored by employers should not fall within the scope of EIOPA's proposals because of the protection such sponsoring entails. Other security mechanisms used across Europe to protect members and beneficiaries should be considered when defining the scope of EIOPA's opinion on long-term risk assessment.	Noted, definition of DC was amended, but CAs should also expect other IORPs to perform risk assessment from the perspective of members and beneficiaries, where they are exposed to material risks, taking an approach proportional to those risks.
29	PensionsEurope	Q3	No, Opinion should apply	The opinion should adopt the current internationally recognised understanding of DC scheme, i.e. only applying to schemes where	Partially agreed, opinion changed to reflect DC

			to IORPs where members and beneficiaries bear all risks	members and beneficiaries bear all risks. Par. 3.1 correctly quotes the IORP II Directive and its implicit definition of DC as a system, where members bear investment risk. However, our understanding of the IORP II Directive is different: in our opinion, DC must be understood as a plan where members bear all risks. This comprises risks like longevity as well as investment risks. A plan is characterised as DB as soon as it includes guarantees – such as a minimum guarantee or rules around indexation in the pay-out phase. Our understanding is also shared by the OECD and is consistent with IASB's international accounting standards, which apply it both in statistical work and when developing policy recommendations. The OECD takes the perspective of the employer and defines a DC pension plan as a plan under which the employer pays fixed contributions and has no obligation to pay further contributions. As soon as there is an element of guarantee, i.e. the employer might have to pay further contributions, a scheme is considered a hybrid DB plan (see Private Pensions: OECD Classification and Glossary - OECD)In this Draft Opinion, this definition is turned upside down: a system is considered DC as soon as the members/beneficiaries bear (material) risk. As an example, it is stated that a scheme with a minimum guarantee would fall under that definition. We do not see any evidence in this opinion that explains the necessity of using such a broad definition and how the added value from the changed definition would outweigh the confusion this would bring. In any case, we do not think such an important issue as the definition of what constitutes DC and DB should be determined in an EIOPA Opinion. Importantly, changing this definition should under no circumstances lead to a situation where some IORPs are considered both DB and DC and subsequently have to comply with both sets of regulation. At any rate, there are further unclarities in this draft opinion: the suggested definition leads to a lot of conceptual and practical questions, e.g. how should "minimum" and "materiality" be	definition used in EIOPA's regular occupational pensions data reporting and by OECD. In line with IORP II Directive, CAs should also expect other IORPs to perform risk assessment from the perspective of members and beneficiaries, where they are – based on an assessment of the CA - exposed to material risks, taking an approach proportional to those risks.

				defined in the sense of par. 3.2 and 3.3? What is a suitable definition of a "minimum" guarantee to qualify as DC? Are these absolute levels of guarantees, and if yes, how are they defined? Is this only meant in nominal terms or even adjusted for inflation/wage changes? Is there a "lower" bound for guarantees (nominal zero – or even lower than capital preservation)? How would these levels change in the context of changing capital markets/low yield environment? What are the criteria for judging materiality? Is this understood in absolute terms or proportions of guaranteed and potential parts of retirement income? Which amount of non-guaranteed income is permissible within DB? Do even high guarantees qualify for DC if only the level of the non-guaranteed part is high enough? These aspects are only some for illustration. This underpins that defining DC should not be changed but kept in line with the current understanding of the IORP II Directive in order to reduce uncertainty for IORPs as well as for CAs and to have a meaningful and stable regulatory differentiation between DC and DB. Setting the points raised above aside and assuming this application would be applied, we would like to point out that this should not lead to the same regulatory requirements for all schemes. As art. 25 of the IORP II Directive states, the risk management should be tailored to the circumstances at hand: The risk-management system shall cover, in a manner that is proportionate to the size and internal organisation of IORPs, as well as to the size, nature, scale and complexity of their activities, risks which can occur in IORPs or in undertakings to which tasks or activities of an IORP have been outsourced, at least in the following areas, where applicable […]. This requirement implies that the national competent authorities must have leeway to determine what is needed for their system, and that IORPs need adequate flexibility to assess where they stand regarding e.g. their internal organisation, size and complexity. As EIOPA rightly states in par. 2.7, occupational pension systems across the EU are	

				heterogeneous. Where in doubt whether a plan should be considered DC or DB, the NCAs should apply the implicit definition of the IORP II Directive to their respective systems, bearing in mind all relevant national characteristics. This opinion should provide leeway for this by referring to the IORP II Directive, but leaving it to the NCAs to apply it. We welcome in this context that par. 2.8 states that competent authorities "may take into account that national specificities of the IORP sector to determine the requirements necessary for implementing this Opinion considering a risk-based and proportionate approach".	
30	PensioPlus	Q3	No, Opinion should apply to IORPs where members and beneficiaries bear all risks	We would prefer if the opinion would only cover those IORPs where the members and beneficiaries bear all the investment risk. In any case we strongly object the introduction of a new definition of DC schemes. Any scheme where the IORP or the sponsoring undertaking offer a guarantee is under all international definitions a DB plan and should continue to be considered as such. A new definition will only introduce confusion. In addition, we do not agree that the same risk management should be applied to these type of plans as the distribution of the risk between sponsor, IORP and members and beneficiaries is totally different.	Noted, definition of DC was amended, but CAs should also expect other IORPs to perform risk assessment from the perspective of members and beneficiaries, where they are exposed to material risks, taking an approach proportional to those risks.
31	EIOPA OPSG	Q4	Yes	However, no objectively derived formula can cover the phenomenon of operational risk in a fully appropriate and exhaustive manner. Hence EIOPA´s suggestion that the (rough) standard approach from the Common Methodology may be used for this risk category could be one fair and pragmatic proposal, because operational risk (expressed as an amount of money) should be pretty much the same for DB and DC schemes (all else being equal). However, it is appreciated, that EIOPA thinks that also an IORP´s own models may be used in order to best reflect the specificities of the operational sphere of that certain IORP. In general, the OPSG wants to give the hint, that certain parts of the operational risk (e.g. the risk for fraudulent actions of the IORP´s	Noted.

				employees) are nearly impossible to be properly quantified and that hence every quantitative assessment of operational risk has significant weaknesses. But this should not hinder the IORP to take some rough and cautiously derived risk amounts for operational risks into account. Although operational risk is consisting out of several sub-risks as mentioned above (in the list of risks in the answer to question 1), the OPSG believes for the aforementioned reasons that it is appropriate to express operational risk in one total figure, and not in calculating separate amounts for the separate sub-risks. Operational risks are very difficult to quantify. Any IORP should consider the operational risk. We see no difference between IORPs administering DB or DC plans. Weather it generates an additional cost for the sponsor or a reduction in benefits for the members the risk is the same as is the overall impact. Putting a number on this risk might even be dangerous as it hides the extremes. We believe in a strong qualitative risk management where the board of the IORP lists all possible operational risks and sets a priority in terms of risk mitigation based on the probability and the impact of each risk and the risk tolerance of the IORP, the sponsor, the members and beneficiaries or a combination thereof. This qualitative approach makes operational risk management much more accessible than any quantitative figure. Furthermore, the IORP II does not set or suggest a specific methodology to quantitatively measure operational risk, as the co-legislator considered that there is not a one-size-fits-all approach able to capture the different kinds of DC arrangements across the EU. As reported by EIOPA, only three Member States already specify quantitative measures for operational risk. Encouraging all other NCAs to require IORPs to quantify operational risks would lead to increasing costs, which would in the end be transferred to members and beneficiaries with potentially limited additional benefits. Like for every measure it	

				should be clearly shown that the additional benefits of the measure clearly outweigh any additional cost.	
32	aba Arbeitsgemeinschaft für betriebliche Altersversorgung	Q4			
33	Actuarial Association of Europe	Q4	Yes	In many pension schemes, the operations are delegated to external providers and / or the scheme are run on a not-for-profit basis. As a consequence, 1) the scheme does not hold shareholder capital and 2) the operational risk is largely borne by the outsourced service provider rather than the scheme or the members. In many instances, these outsourced service providers must themselves hold capital to cover operational risks. The nature of pension scheme's and whether member's bear operational risks should be considered in determining if a particular scheme is required to quantify operational risks. However, there is no universal formula that could reflect operational risk in appropriate and complete manner. We consider the suggested approach as commonly used and applicable. Relative measures (implementing detailed risk assessment process or introducing additional capital requirement) have to be considered only.	Noted, the need to consider risk-mitigating measures was reflected in paragraph 3.7.
34	Assoeuropea	Q4	Yes	Assoeuropea encourages a quantitative risk assessment of operational risks by IORPs. However, the IORP2 directive only requires quantitative measures of these types of risks; this desirable step forward should be the result of an evaluation of the IORP itself and not be linked to regulation. The category of operational risks is very wide and takes into account very different types of risks, consequently it is extremely difficult to define a common quantitative measure of operational risks. Any formula would be based on some assumptions and the	Noted, the opinion provides that CAs should encourage – not expect - DC IORPs to estimate the quantitative impact of operational risk.

				measurement of the same phenomenon could differ based on the formula (and underlying assumptions) used by the IORPs. EIOPA suggests limiting the quantitative assessment of operational risks to those related to the activities performed directly by the IORPs themselves, given that the quantitative evaluation of operational risks stemming from outsourced activities would be even more challenging. While fully supporting the judgment on the quantitative evaluation of operational risks related to outsourced activities, we question the insightfulness for the boards of IORPs to have a partial quantitative assessment of operational risks, especially where IORPs outsource a large share of their activities. In Italy, for example, usually IORPs outsource to third parts relevant activities like, for example investments, administrative services, supervisory reporting (the list is not exhaustive); a quantitative evaluation of the residual operational activities would be not insightful while, at the same time, would be very costly for IORPs and, in the end, for members and beneficiaries.	Agreed, the distinction between internal and external was removed in paragraph 3.7.
35	Fondo Cometa Pension Fund	Q4	Yes	We believe that following the qualitative assessment required by the Iorp II law, DC pension funds should progressively implement a quantitative assessment of the operational risks considering both the loss severity, defined as the probability distribution of losses and the loss frequency, defined as the avarage number of losses. The assessment cannot be totally finalized without the availability of a set of data about losses severity and frequency, to be collected from the different pension funds. The ultimate quantitative formula should contain a scale adjustment that applies the loss event to a pension fund's own specific circumstances (organizzation, employers numbers, asset under management etc.) in order to account for a potential bias in loss size.	Noted.
36	German Association of Actuaries (DAV)	Q4	No	We do think that quantification of operational risks is a very difficult task and requires detailed analyses and a very balanced	Agreed, clarified in Annex 1 that the VaR measures

				approach to achieve comparability: E.g. in Annex 3 EIOPA suggests VaR measures which are purely based on quantitative inputs, not reflecting differences in the processes to avoid or mitigate operational risks.	represent gross risk and that risk-mitigating mechanisms should be taken into account to obtain net exposures.
37	German Insurance Association (GDV)	Q4	No	The quantitative aspects of operational risk management are totally overemphasised in the consultation's proposal. VaR as a percentage of a variable from the balance sheet/profit and loss account has no added value. The capital requirements of Solvency I combined with additional (company individual) analysis in the own risk assessment are completely sufficient to provide a detailed picture on the risk profile and the solvency situation. What is important here is a qualitative examination of the possible operational risks and contingency plans for the main risks.	Noted.
38	Insurance Europe	Q4			
39	PensionsEurope	Q4	No	We agree that quantitative assessments can play a noticeable part in the overall risk-assessment processes, and that they can be useful for risk-based supervision. However, if a quantitative assessment using accurate data and relying on robust risk models can be viewed as objective in providing outcomes, it must also be borne in mind that quantitative analysis can be (and usually is) much more complex, costly, and subject to the limits of the specific model (and assumptions) used. It is critical that NCAs use quantitative assessment in a proportionate manner and on the basis of a proper cost benefit analysis that proves the added "real" value of its use, i.e., in terms of better and reliable pensions. As mentioned above, we do not believe the cost and benefit analysis provided in Annex 2 is detailed enough. The IORP II requires IORPs to carry out an Own Risk Assessment that (also) includes a qualitative assessment of the operational risks . The relevance and meaningfulness of supplementing the qualitative management with quantitative measures depend on	Noted.

				the kind of DC scheme considered, which is influenced by the overall national context in which the IORP operates. This decision is and must remain one for NCAs in the context of their national systems. The IORP II does not set or suggest a specific methodology to quantitatively measure operational risk, as the co-legislators considered this inappropriate given that there is not a one-size-fits-all approach able to capture the different kinds of DC arrangements across the EU. As reported by EIOPA, only three Member States already specify any quantitative measures for operational risk. Encouraging NCAs to require IORPs to quantify (operational) risks would therefore lead to significantly increased costs in most MS, which would ultimately be transferred to members and beneficiaries with questionable additional benefits. Some supervisors might consider that: • the pseudo-scientific precision of a quantitative assessment can be misleading and result in "missteering" (i.e. prompting inappropriate responses) • a quantitative assessment will add to operational costs without (necessarily) resulting in cost savings (by reducing the operational risks) sufficient to offset those costs • a quantitative assessment will reduce retirement outcomes because the additional costs will be charged ultimately to the members • not all operational risks/costs are borne by the member – a quantitative approach should only be considered if all operational risk directly impacts a member's benefit – in all other situations	Noted, the opinion provides that CAs should encourage – not expect - DC IORPs to estimate the quantitative impact of operational risk.

				this should be a decision of the IORP's board. • their knowledge and experience allow the NCAs to base their supervision on a purely qualitative assessment Finally, we would like to stress again that the scope of the Opinion should follow the internationally recognised definition of DC and that under no circumstances, schemes should fall under requirements for both DB and DC schemes.	
40	PensioPlus	Q4	No	Operational risks are very difficult to quantify. Any IORP should consider the operational risk. We see no difference between IORPs administering DB or DC plans. Weather it generates an additional cost for the sponsor or a reduction in benefits for the members the risk is the same as is the overall impact. Putting a number on this risk might even be dangerous as it hides the extremes. We believe in a strong qualitative risk management where the board of the IORP lists all possible operational risks and sets a priority in terms of risk mitigation based on the probability and the impact of each risk and the risk tolerance of the IORP, the sponsor, the members and beneficiaries or a combination thereof. This qualitative approach makes operational risk management much more accessible than any quantitative figure.	Noted, quantification is meant to supplement sound qualitative management of operational risks, which is agreed to be essential.
41	EIOPA OPSG	Q5	No	The problem is, as already laid out in the answer to Question 4, that no objectively derived algebraic formula can cover the phenomenon of operational risk in a fully appropriate and exhaustive manner. Therefore, these formulas CAN be used – they may be as good and as bad as almost all other suitable approaches – but do not have to. EIOPA should stick to the previously announced willingness to give freedom to the IORPs to choose a suitable methodology, which they reasonably (!) think fits best for assessing operational risk in their specific case.	Noted, opinion leaves the choice between own custom-made operational risk estimates or the standard formula.
42	aba Arbeitsgemeinschaft	Q5			

	für betriebliche Altersversorgung				
43	Actuarial Association of Europe	Q5	Yes	The presented formulas for VaR reflect the complexity and the size of the DC, therefore could be considered as sufficient approach for measuring the operational risk. Our understanding is that such quantitative metrics are useful for shareholders and regulation purposes but not for members of the pension plan.	Noted.
44	Assoeuropea	Q5	No	Assoeuropea disagree with the will of EIOPA to back quantitative measures for operational risks; we are of the opinion that the possible appropriate quantitative measure should be freely decided by each IORP, based on its own characteristics. Value at risk measures suggested by EIOPA are one method to quantitatively evaluate operational risks but other methods are also in place and should be up to the IORPs to decide the more appropriate, in the case in which it would approach the step. Also in this case Assoeuropea prefers a bottom-up process, based on an assessment of the current models used by IORPs for quantitative evaluations of operational risks as well as for the consideration of the risks from the perspective of members and beneficiaries, once the directive has been fully implemented, and carried out by NCAs.	Noted, opinion leaves the choice between own custom-made operational risk estimates or the standard formula.
45	Fondo Cometa Pension Fund	Q5	No	We do believe that the formulas in annex 3 are not suitable to italian pension funds like Cometa. In particular, the second formula, Value at risk for DC schemes with guarantees, is not applicable at all because Cometa doesn't manage the guaranteed funds by itself (the guaranteed funds offered to its members are managed by external insurances), and for this reason doesn't have any technical provisions. The first formula on the other hand, requires an appropriate ammount of data to be collected from all the italian or european pension funds	Noted, opinion leaves the choice between own custom-made operational risk estimates or the standard formula.

				and such precess can take quite a while to be completed. Moreover most of the operational activities are outsourced.	
46	German Association of Actuaries (DAV)	Q5	No	To our understanding VaR calculations would lead to the same results for IORPs with the same quantitative input, i.e. not consider any differences in their processes to mitigate operational risks. According to 3.1. pure DC schemes with the same amount of expenses would report the same VaROP.	Partially agreed, clarified in annex 1 that risk-mitigating mechanisms have be taken into account to obtain net risk exposures.
47	German Insurance Association (GDV)	Q5	No	The existing regulations for pure DC schemes and the agreement between the social partners in the 'Sozialpartnermodell' in Germany already contain comprehensive information on the assessment of operational risk. From the association's point of view, no objective added value is apparent from the VaR formulas presented for the NCA to assess operational risk. For further details, see Q4.	Noted, CAs should encourage – not expect – IORPs to quantify operational risk. Moreover, opinion leaves the choice between own custom-made operational risk estimates or the standard formula.
48	Insurance Europe	Q5			
49	PensionsEurope	Q5	No	We do not believe EIOPA should encourage the use of quantitative elements in operational risk assessment and, consequently, we do not believe EIOPA should suggest any specific methodology to understand it. We do not believe there is an objectively derived algebraic formula able to calculate operational risks in a fully appropriate and exhaustive manner. EIOPA correctly notes in par. 3.8 of the draft Opinion that "Given this diversity of operational risks, there is no single algebraic formula or model which could capture overall operational risk." However, EIOPA adds that "Nevertheless, to get a better view of the possible quantitative impacts, CAs should encourage DC IORPs to estimate the possible impact of operational risk of at least the activities performed internally. This can be done by means of own custom-made operational risk estimates or by using the standard formulas included in EIOPA's common framework for risk	Noted, opinion leaves the choice between own custom-made operational risk estimates or the standard formula.

				assessment and transparency (see Annex 3)". We do not believe that EIOPA is correct in suggesting a Common Methodology (CM) or framework to assess risks, as a one-size-fits all approach will not capture the different characteristics of DC schemes across the EU. A Common Methodology must not become a standard and/or a benchmark against which IORPs would be required to assess their risks. PensionsEurope has often stressed that we see no benefit from EIOPA continuing to work on the Common Framework and we are completely against its application in any context. EIOPA must bear in mind that any model has its own limitations. Even within a specific country, the circumstances of specific pension schemes can vary significantly, and therefore very different models might suit a particular pension scheme, its rules and its members – but not others. As also highlighted by the International Organization of Pensions Supervisors (IOPS), models – however good – are no substitute for the judgement of experienced supervisors . All in all, in our opinion it is preferable that EIOPA does not enter into such details, as we think NCAs are best positioned to decide how to value the impact of operational risk exposures of DC schemes, taking into consideration the specific characteristics of the supervised entity and the environment in which they operate. Finally, we note that the approach suggested in Annex 3 seems inspired by Solvency II. We highlight that the environment of an IORP is very different from the one of a life insurance company, in terms of scale and complexity of the activities, but also in terms of governance and organisation of the activities. Many IORPs are characterised by a triangular relationship between sponsor, members and beneficiaries and the IORP.. Often, small and medium-sized IORPs outsource all operational activities, which are evaluated on a regular basis. Third party providers mostly have an	

				insurance to cover the operational risk, for which the premium is included in the pricing of the services.	
50	PensioPlus	Q5	No	No. We fear the approach of Annex 3 is a copy paste of the Solvency II approach. The environment of an IORP might differ a lot from the one of a life insurance company and this in terms of scale and complexity of the activities but also in terms of governance and organisation of the activities and history of the company. Insurance companies often are the result of many mergers and acquisitions with a complex legacy history. Many IORPs have a 1-1-1 relation between sponsor, pension scheme and IORP. Small and medium sized IORPs do outsource all operational activities which are evaluated on a regular basis. Third party providers mostly have an insurance to cover the operational risk, for which the premium is included in the pricing of the services.	Noted, opinion leaves the choice between own custom-made operational risk estimates or the standard formula.
51	EIOPA OPSG	Q6	Yes	Such DC risk assessment can never be seen on a stand-alone-basis. Instead, also the level of contribution or premium payments by the employer and employees and the general design of the plan have additionally to be taken into account. The risk assessment should (at least) cover the full risk position from the beneficiaries´ point of view and shall result out of following categories of risk, which contribute to the total risk position: - Market risks for all the different asset classes (e.g. interest risk, equity risk, real estate risk, …) - Inflation risk - Counterparty risk - Operative (operational) risk (incl. outsourcing risk, IT-risk, Cyber-risk, leakage risk for sensitive data…) - Cost risk (see also the paragraph regarding costs in this paper) - Liquidity risk (if any) - Biometrical risk (especially longevity risk, which in a DC case is	Noted. Agreed, clarified in paragraph 3.16 that “all risks to which DC IORPs are exposed” should be considered.

				usually the risk of outliving one's assets; this kind of risk might not be applicable for all DC pension plans) Of course, market risks for different asset classes have to be properly transformed into a total investment risks for different strategies (where applicable, such as e.g. lifecycle models incl. glide paths, conservative strategies (high portion of fixed income), diversified (including a medium high portion of equity, minimum guarantee strategies, dynamic strategies etc.). Operational risk should also include outsourcing risk (if applicable). Since the main (total) risk from the perspective of a beneficiary is, that he or she will receive less pension benefits than originally expected due to a realisation of risks within one or several of the aforementioned risk categories it seems to be self evident that such assessment will have to contain long term projections how big the future pension benefits will be (and how big the deviation from the original expectation due to risk realization can be). However, it's up to the IORP to determine if projections of future retirement income should be part of the risk assessment or if other risk management techniques, which are equally suitable, are used. Depending on the member states the DC plan design including the investment options, investment smoothing, introduction of guarantees, etc. is often governed by the respective national social and labour law. When negotiating the plan design, the sponsor and social partners decide on the plan specifications and might be looking at projections of future retirement income and the risk tolerance of the members. It's not the competence of the IORP to question and/or evaluate the outcome of the plan design determined by the sponsor and the social partners. The main results of the risk assessment should be disclosed to the	Noted, opinion is in line with paragraph above. See also resolution to Q1. Noted, according to IORP II Directive, IORPs also have their own responsibility with regard to risk management and investment of assets.

				beneficiaries in a form, which is comprehensive and easy to understand. However, this has to be done very carefully, since it has to be avoided, that beneficiaries get a wrong understanding of their risks and may in consequence draw conclusions out of that, which are disadvantageous for them. The OPSG is very well aware of the fact, that it is a difficult balancing act to achieve simplicity to understand AND sufficiency of information at the same time and that a proper format for this in general is quite difficult to find. Since risk assessment results very much depend on the assumptions used in the assessment, some information regarding the underlying assumptions would in this case also have to be given to the beneficiaries in a simplified form. This information can e.g. be given in the context of the information given to the beneficiaries according to article 39, (1), d) (information on pension benefit projections) of the IORP II directive. From the OPSG´s point of view also biometrical risk, especially longevity risk, needs to be included into such a risk assessment from the beneficiaries´ point of view, in the case of DC schemes offering protection against this type of risk. In such a case, the risk that the IORP would not manage to sufficiently protect members against the respective biometrical risks and the resulting consequences for them would have to be assessed. However, in a DC scheme, which does not offer such protection, biometrical risks are not relevant for the IORP itself, but only for the beneficiaries, who carry in the end the longevity risk completely in these circumstances. As a consequence, they should be well informed, what this risk really means from their point of view. However, in these cases (where usually only a certain amount depending especially on the IORP´s investment results is paid out as a lump-sum to the respective beneficiary), the biometrical risk for the beneficiary (expressed e.g. as a potential reduction in percent of the expected average amount per year, which he/she can spend	Noted, information provision to plan members is beyond the scope of the opinion. This was clarified in paragraph 2.8.

				for living out of the received lump-sum payment until death) is not IORP-specific any more (and hence needs not to be calculated by the IORP). Therefore, the OPSG proposes, that the beneficiary might be informed about this kind of risk by another institution than the IORP. EIOPA or the relevant NCA could e.g. take over that task by publishing e.g. on their homepage this general (not IORP-specific) assessment for different age classes of beneficiaries in order to show, what living longer than expected means for the beneficiaries´ disposable money for covering costs of living. This would also be in line with article 28, (2), e) of the IORP II directive (Directive (EU) 2016/2341).	Noted, information provision to plan members is beyond the scope of the opinion. This was clarified in paragraph 2.8.
52	aba Arbeitsgemeinschaft für betriebliche Altersversorgung	Q6			
53	Actuarial Association of Europe	Q6	Yes	Members should be able to be aware of the potential risks surrounding their retirement benefits. How to show these projections is another subject for research in order to prevent information overload. Itis important to balance the level of information provided with the clear communication of the benefits and risks of the investment strategy. Long-term projections should be made considering different factors like investment risk, cost structure, amount of contributions, projection for inflation and demographic trends. For members of the DC plans it will be useful to know the ratio between contributions to be paid for the whole period of service and the expected amount of pension benefits. The other meaningful information can be the projected replacement ratio – based on the applied assumptions what be the amount of the retirement benefit in comparison with the last (expected) salary.	Noted, information provision to plan members is beyond the scope of the opinion. This was clarified in paragraph 2.8.

				Different DC plans could have one or more investment portfolios. Where applicable a dynamic strategy in modelling could apply. That could refer also to so called lifecycle services where the members are guided throughout the last stage of the accumulation phase to choose more conservative portfolios with well diversified investment strategy, or such with minimum guaranteed return. Longevity risk is another very important factor to be considered. The members of DC schemes could be provided with the information regarding expected life time after retirement and how that period relates to the period of accumulation. For the members and beneficiaries, the most important risk is the risk of poverty or risk of insufficient pension benefits after retirement. An assessment of value-for-money will provide useful additional insights.	
54	Assoeuropea	Q6	Yes	Assoeuropea does agree on the fact that the risk management should focus on the achievement of the target defined by the investment policy of the IORP. This activity starts with the set up of the investment options (where members are allowed to choose the investment option) and continues during the investment horizon. However, in the case of DC IORPs where members and beneficiaries fully bear the risks of the plans, they have to be fully aware that losses may arise. The risk assessment in the perspective of members and beneficiaries is not a guarantee against losses. Conducting long-term risk management without a disclaimer on that key feature of DC IORPs (members and beneficiaries bear the risks), risks confusing on the real nature of DC IORPs and, in the end, it could represent a risk for members and beneficiaries. Assoeuropea agree on the fact that the target on the investment options should be disclosed in the SIPP and in the other documents of the IORPs (if legally requested).	Noted, information provision to plan members is beyond the scope of the opinion. This was clarified in paragraph 2.8. Use of multiple scenarios should make clear that outcomes are uncertain for member and beneficiaries bearing risks. Noted, opinion takes a principle-based approach leaving considerable flexibility to CAs.

				Assoeuropea agree that projections of future retirement income are a way to conduct the risk assessment from the perspective of members and beneficiaries. The projections have to be realistic and market consistent; stochastic projections are more insightful but also expensive and complex. IORPs should be free to define the best way to realize the projections, taking into account a proportionality principle, and based on the fact that the IORP2 directive does not define risk management techniques to which IORPs have to stick to. IORPs could also use other risk management tools. The long term risk assessment should take into account the risks borne by members and beneficiaries (market, operational, ESG,…) as well as the characteristics and the costs of the plan.	Moreover, it was changed to allow for pension projections based on stochastic or deterministic scenarios. Use of pension projections is consistent with Article 28(e) which requires IORPs to include in their ORA "an assessment of the risks to members and beneficiaries relating to the paying out of their retirement benefits [..]".
55	Fondo Cometa Pension Fund	Q6	Yes	We do. The pension fund members' and beneficiaries' horizon is long enough expecially in Italy where the choice to become a fund member is irreversible and transfers to other pension funds are quite unfrequent. We also believe that the the risk assessment of the second pillar replacement rates should be integrated with risk assessment of the first pillar replacement rates in order to achieve a more comprehensive picture of the total future retirmenet income risk borne by members. Moreover the long term risk assessment based on future asset returns projections of target variables, such us future retirement income, is coherent with the italian regulatory requirement to calculate the probability returns are lower than certain threshholds.	Noted.
56	German Association of Actuaries (DAV)	Q6	Yes	Members and beneficiaries should be aware of the potential developments of their retirement benefits. However, it is most important that the information is understandable for the recipient. Collective risk sharing is an essential part of German DC schemes.	Noted, information provision to plan members is beyond the scope of the opinion. This was clarified in paragraph 2.8.

				Collective elements lower the risk of each beneficiary and increase the average benefits for all scheme members. From the members' perspective, collective elements are an essential part of long-term assessment of future benefits.	Principles specify that pension scheme characteristic should be taken into account.
57	German Insurance Association (GDV)	Q6	No	The projection of future retirement income via stochastic modelling and estimation is uncertain and prone to error, as it depends on a large number of assumptions and developments that are a priori unclear, especially with regard to the long forecast period. In contrast, deterministic scenario-based ALM has a real added value for all stakeholders, also from a cost-benefit point of view. Moreover, it is not clear how this potential information is used by the NCA. The benefit of the projection of future retirement income for members and beneficiaries is therefore unclear. According to the intended risk-based approach, the projection of future pension income should be therefore at most optional for DC schemes which consider the risk preference of members and beneficiaries by design. Existing reporting obligations to the NCA for pension schemes in Germany already include comprehensive information on the risk assessment.	Partially agreed, opinion was changed to allow for pension projections based on both stochastic and deterministic scenarios.
58	Insurance Europe	Q6			
59	PensionsEurope	Q6	No	Generally, we do agree that the risk assessment should consider risks (also) from the point of view of members and beneficiaries. Compliance with the prudent person rule requires an investment policy geared to the membership structure of the individual IORP, and the IORP II Directive requires disclosing to members information on pension projections in the PBS. However, in our opinion, whether projections of future retirement income should be part of the risk assessment has to be determined by NCAs and IORPs. The design of DC plans (e.g. investment options, smoothing of	Noted. Appropriate reference to the prudent person rule was added to baseline description of the cost-benefit analysis. Use of pension projections is consistent with Article 28(e) which requires IORPs to include in their ORA "an assessment of the risks to members and beneficiaries

				investment outcomes, the introduction of guarantees, etc.) is very different between MSs, as it is shaped by the applicable national social and labour laws. In plans regulated by social bargaining agreements, when negotiating the plan design the sponsor and social partners decide on the plan specifications and might be looking at projections of future retirement income and the risk tolerance of the members. It is not the competence of the IORP to question and/or evaluate the outcome of the plan design determined by the sponsor and the social partners. Therefore, this opinion should not set supervisory expectations that go beyond what required by IORP II. It would not be correct to suggest a Common Methodology (CM) or framework to assess risks, as a one-size-fits all approach will not capture the different characteristics of DC schemes across the EU. A Common Methodology must not become a standard and/or a benchmark against which IORPs would be required to assess their risks. PensionsEurope has often stressed that we see no benefit from EIOPA continuing to work on the Common Framework and we are completely against its application in any context. It is also not clear how the Common Methodology / Framework would be applied to a DC scheme. EIOPA must bear in mind that any model has its own limitations . Even within a specific country, the circumstances of specific pension schemes can vary significantly, and therefore very different models might suit a particular pension scheme, its rules and its members – but not others. As also highlighted by the International Organization of Pensions Supervisors (IOPS), models – however good – are no substitute for the judgement of experienced supervisors. In this light, we agree with the first insights shared by EIOPA that any quantitative	relating to the paying out of their retirement benefits [..]". Noted, according to IORP II Directive, IORPs also have their own responsibility with regard to risk management and investment of assets. Noted, see resolution to Q1 on allowing for differences between Member States and IORPs.

				measuring – if and when decided by NCAs- should supplement and not diminish the qualitative management of risks. As for the risk tolerance of members and beneficiaries, we note that it can be difficult (and consequently costly) to assess . Therefore, we do not believe EIOPA should encourage (explicitly or implicitly) NCAs to follow overly detailed principles on its assessment. IORPs and NCAs are best placed to consider how members and beneficiaries' risk tolerance should be assessed and eventually how it should be taken into account in the IORPs' investment strategy. See further comments on the assessment of risk tolerance in Q11. Finally, we would like to stress again that the scope of the Opinion should follow the internationally recognised definition of DC and that under no circumstances, schemes should fall under requirements for both DB and DC schemes.	A high-level principle is provided for the establishment of the risk tolerance, i.e. that appropriate methodologies should be used without being prescriptive. See resolution to Q3.
60	PensioPlus	Q6	No	It's up to the IORP to determine if projections of future retirement income should be part of the risk assessment. Depending on the member states the DC plan design including the investment options, investment smoothing, introduction of guarantees,… is governed by the national social and labour law. When negotiating the plan design, the sponsor and social partners decide on the plan specifications and might be looking at projections of future retirement income and the risk tolerance of the members. It's not the competence of the IORP to question and/or evaluate the outcome of the plan design determined by the sponsor and the social partners.	Noted, use of pension projections is consistent with Article 28(e) which requires IORPs to include in their ORA "an assessment of the risks to members and beneficiaries relating to the paying out of their retirement benefits [..]". According to IORP II Directive, IORPs also have their own responsibility with regard to risk management and investment of assets.

61	EIOPA OPSG	Q7		In Germany there are almost no DC pension schemes. The reason is, that only since 2018 it is possible in Germany to offer a pure DC product – but only if the social partners (worker´s representatives / unions and employer) agree on the concrete terms. In practice, until today, there is only one such product being implemented. So, all in all there is no huge practical experience in Germany available for pure DC products. (However, in case of DB and hybrid products German IORPs publish pension projections for three different scenarios – optimistic, realistic and pessimistic – according to the requirements of the IORP II directive. In Italy, NCA already requests a long-term risk assessment from the perspective of members and beneficiaries basically aligned to the one backed by EIOPA. When defining the number of investment lines available for members, their risk/return profile and their investment strategies, the IORPs have to take into account the socio-demographic characteristics of the eligible workforce and its retirement needs (adequacy of the income at retirement). The investment strategies of the lines are assessed every three years (or less, if needed) and are clearly explained in the SIPP as well as in the pre-contractual documentation. Right now, the SIPP is publicly available on the web site of the IORPs. The SIPP has to report the expected yearly average return (gross and net) and its volatility for the investment horizon of the options. It is also reported the probability of not reaching the planned or targeted benefit payment (shortfall probability). To define the risk/return profile of the investment lines the current members are in general used as a proxy, data from the first pillar are usually derived from social security database. Market and labor variables are considered for the projections. No specific model is suggested and IORPs are free to define their own models (deterministic or stochastic).	Noted, information was very much appreciated and used at a high-level for the purpose of the cost-benefit analysis.

				In the Netherlands a large majority of pension schemes is seen as Defined Benefit (DB). Even in the many situations where the contribution is fixed, the sponsoring companies have no obligation to pay additional contributions and the members and beneficiaries bear the risk of no indexation or reduction of pensions, the risk management is largely as what is required for DB schemes. In the near future all those schemes will move forward as DC schemes based on the recent national agreement on pensions in The Netherlands where future accrual is always in a DC scheme. A choice is offered between two types of DC schemes. One type is a pure DC scheme based on individual accounts. The other type is DC with to some extent collective risk sharing. This risk sharing is amongst the members and not with the sponsoring companies nor with the IORP. The basis for risk assessment is the risk appetite of the members and beneficiaries. This needs to be assessed on a regular basis (e.g. every three years). Another part of the risk assessment is based on the choices the members can make. They can choose to buy an annuity at retirement or opt for a draw down approach. Risk management requires to collect information from the members starting at ten years before retirement about which option has their preference in the pay-out phase. In case of an annuity the investments (often life cycling) will in the last ten years gradually move to a mix that mirrors as good as possible the price to buy an annuity (mostly bonds when reaching the retirement age with a duration close to the expected remaining lifetime). If the draw down option is preferred the investment mix will keep a longer term focus (more equities, less bonds). So, in The Netherlands it is quite important to have a good dialogue with the members in order to adequately manage the risks that meet their wishes. In Ireland it has been a requirement for many years now to provide members of IORPs with an annual Statement of Reasonable	

				Projection. This illustrates the benefits they are likely to receive both if they continue as a member until retirement or if they were to cease membership today. The projection shows the fund value at retirement and the annuity that would purchase, also in today's value. The Regulator sets out the parameters for the assumptions used. The purpose is primarily for the members to understand their likely retirement benefits and also to consider whether they should take action like increasing contributions or changing their investment funds. It is common for most schemes to adopt a lifestyling approach. However this is being reconsidered by some schemes as many members do not now purchase annuities at retirement but transfer to a drawdown product so will likely continue to invest post-retirement. It can be difficult for a scheme to undertake a wider risk assessment as there is a lot of information about the members that they will not have, such as other pension savings from previous employers and other savings or wealth. In Malta employer sponsored schemes only just started to be offered since tax relief has been available only in the last two years. The choice of funds is in the hands of the beneficiaries and as far as I am aware there are no mandated regular reviews. In fact, these are basically unit-linked policies. The payout is a cash lump sum and an annuity and no other choices. There are no DB schemes.	
62	aba Arbeitsgemeinschaft für betriebliche Altersversorgung	Q7			
63	Actuarial Association of Europe	Q7		The purpose of providing such information to members is to give them a more or less reasonable assessment for the expected retirement benefit and to consider whether they should take actions like increasing contributions or seeking for supplementary	Noted.

				sources for retirement benefits. That would help DC' members to reassess their risk appetite, to look for alternative (additional) tools for generating personal income after retirement or to increase the size of contributions. At this stage DC plans are more popular in some CEE countries, rather than on a bigger market which has had a huge experience with DB schemes. In some countries the IORPs are obliged to provide annual statements to its members, presenting information for total accumulated amount, costs and investments. It is not a common practice to provide members with the projections for the retirement benefits since that could be considered as a promise. In the same time providing members with more detailed and comprehensive projections could confuse them. In some cases, the limitations are the willingness of the members to read the information. The challenge is therefore to include a purpose for the members to act upon the information that is provided. We also see different parameters and techniques underlying the calculations of pension projections in PRIPPs and PEPP and the different techniques used for IORPs in different countries for example. Are these benefits addable in the end to have an overview of the projected benefits that are comparable? Where members have a choice of providers, more optimistic projected returns from one provider or product over another could skew members decision making. Where it is possible the introduction of a life-cycling approach could give the IORP a chance to adopt features of the pension plan	

				to the current profile of its members, but for such approach there is no universal recipe. It is important though, that such life-cycle approach would align as good as possible with the preferred pay-out pattern as from retirement. The life-cycle will be different when the decumulation phase is a lumpsum, an annuity, a drawdown or a combinations of these.	
64	Assoeuropea	Q7		Pension projections are a common tool for Italian IORPs. The SIPP has to report the expected yearly average return (gross and net) and its volatility in the investment horizon, for every option offered by the plan to its members. The SIPP also reports the probability of not reaching the planned or targeted benefit payment. Projections are used to assess these characteristics even though no single model has been defined and each IORP has set up its own model. Pension projections are a useful tool to define the investment options available for members. Right now, as SIPPs are available on web sites, pension projections could be also used by members to select the appropriate investment option, both at the enrollment and during the accumulation phase (in Member States where it is allowed to change investment option during the accumulation phase), but it is too early to assess on that. On this perspective, some concerns arise with the pension projections for the Pension Benefit Statement. Generally speaking, complex staff are not deemed helpful to select between different options. One limitation of pension projections for long-term risk management is the risk that the legislation relating to the first pillar could undergo some significant changes to maintain solvency. IORPs could explain this risk to members/beneficiaries and try to mitigate it.	Noted.

65	Fondo Cometa Pension Fund	Q7		The most important bnefits are an increased transparency about the targets of the pension funds and a wider range of risk metrics to better identify, measure, monitor, manage and report the risks to the administrative management or supervisory body of the IORP. The projections are also useful to compare risk profile with risk targets and set appropriate risk tolerance thresholds.	Noted.
66	German Association of Actuaries (DAV)	Q7		Obviously all models do just provide estimations. Long term projections require sophisticated models with a number of simplifying assumptions and a number of input parameter for a very long time horizon. We think that the overall approach and the possible estimation error might be difficult to understand for members and beneficiaries.	Noted.
67	German Insurance Association (GDV)	Q7		As already explained, the potential benefit of long-term projections of retirement income for long-term risk assessment using stochastic modelling and estimation is not apparent. They depend on a large number of assumptions and developments of variables whose future path is unclear. In contrast, deterministic scenario-based ALM has a real added value for all stakeholders, also from a cost-benefit point of view. Especially for IORPs operating in Germany, there are detailed regulations on risk management (§ 39 PFAV) for the only DC commitment available so far, the 'reine Beitragszusage'. In addition, compulsory information obligations for members and beneficiaries (§ 41 PFAV) as well as reporting to the NCA (§ 42 PFAV) are implemented by law. These requirements provide comprehensive protection for members and beneficiaries regarding potential risks. Moreover, social partner can agree on additional requirements for the design of the pension scheme to correspond with members' and beneficiaries' preferences. In addition, the regulations make sure that members and beneficiaries are informed comprehensively, annually, and consistently about future retirement income that can be expected	Noted.

				from achieved retirement capital. Since the DC scheme in the German 'Sozialpartnermodell' is a collective DC scheme in which the risk preferences of the members and beneficiaries are integrated a priori by the social partners, the risk preferences of the members and beneficiaries are already considered in the design of this DC scheme. This can be seen, for example, in the investment strategy. The collective approach of DC schemes in Germany as well as possible additional security mechanisms to limit the volatility of the retirement capital in combination with the involvement of the social partners can provide members and beneficiaries with comprehensive and long-term protection against risks. The realisation of DC schemes in Germany with the integration of the risk preference of members and beneficiaries in connection with supervisory reporting obligations therefore shows an alternative method for (long-term) risk assessment.	
68	Insurance Europe	Q7			
69	PensionsEurope	Q7		In our opinion, it should be up to the NCAs and IORPs to determine if projections of future retirement income should be part of the risk assessment. Depending on the MSs, the DC plan design (e.g. investment options, smoothing of investment outcomes, introduction of guarantees, etc.) is governed by the national social and labour law. When negotiating the plan design, the sponsor and social partners decide on the plan specifications and might be looking at projections of future retirement income and the risk tolerance of the members. It is not the competence of the IORP to question and/or evaluate the outcome of the plan design determined by the sponsor and the social partners. How to judge the outcome of the projection of the future	Noted.

				retirement income? This can only be done in combination of the 1st pillar pension and the 2nd pillar pension accrued with other employers. This information is not accessible to IORPs. Therefore, we believe it cannot be the IORP who makes this assessment. During the plan design phase, it can be objective to reach a target retirement income, but the main characteristic of a DC scheme is that this target or ambition is only set in the design phase. Once the DC scheme is up and running there is no further link anymore with this initial target or ambition. Any link to the target or ambition would give it a DB character.	
70	PensioPlus	Q7		It's up to the IORP to determine if projections of future retirement income should be part of the risk assessment. Depending on the member states the DC plan design including the investment options, investment smoothing, introduction of guarantees,… is governed by the national social and labour law When negotiating the plan design, the sponsor and social partners decide on the plan specifications and might be looking at projections of future retirement income and the risk tolerance of the members. It's not the competence of the IORP to question and/or evaluate the outcome of the plan design determined by the sponsor and the social partners. How to judge the outcome of the projection of the future retirement income? This can only be done in combination of the 1st pillar pension and the 2nd pillar pension accrued with other employers. This information is not accessible fort he IORP. Therefore we believe it can never be the IORP who makes this	Noted.

				assessment. During the plan design phase it can be objective to reach a target retirement income BUT the main characteristic of a DC scheme is that this target or ambition is only set in the design phase. Once the DC scheme is up and running there is no further link anymore with this initial target or ambition. Any link to the target or ambition would give it a DB character.	
71	EIOPA OPSG	Q8		See answer to previous question.	
72	aba Arbeitsgemeinschaft für betriebliche Altersversorgung	Q8			
73	Actuarial Association of Europe	Q8	Yes	In the Netherlands projections based on stochastic calculations are used, both for beneficiaries and investment strategies. More information can be found in the EIOPA paper on the pension benefit statement: https://www.eiopa.europa.eu/sites/default/files/publications/reports/eiopa_pbs_guidance_and_principles_0.pdf?source=search In Ireland, deterministic projections of member retirement accounts and projected income in retirement are provided annually to members. More detailed or sophisticated projections are often provided to trustees in designing investment strategies and default investment glide paths..	Noted, information was very much appreciated and used at a high-level for the purpose of the cost-benefit analysis.
74	Assoeuropea	Q8	Yes	In Italy, NCA already requests a long-term risk assessment from the perspective of members and beneficiaries not so different from the one suggested by Eiopa. When defining the number of investment lines available for members, their risk/return profile and their investment strategies, IORPs have to take into account the socio-demographic characteristics of the eligible workforce and its retirement needs (adequacy of the income at retirement). The investment strategies of the lines are assessed every three years (or less, if needed) and are explained in the SIPP as well as in the	Noted, information was very much appreciated and used at a high-level for the purpose of the cost-benefit analysis.

				pre-contractual documents. Right now, the SIPP is publicly available on the web site of the IORPs. The SIPP has to report the expected yearly average return (gross and net) and its volatility for the investment horizon of the options. It is also reported the probability of not reaching the planned or targeted benefit payment. To define the risk/return profile of the investment lines the current members are in general used as a proxy, data from the first pillar are usually derived from social security databases. Market and labor variables may be considered for the projections. No specific model is suggested and IORPs are free to define their own models (deterministic or stochastic).	
75	Fondo Cometa Pension Fund	Q8	Yes	As already mentioned, the italian regulation requires to calculate the probability that investment returns could be below certain thresholds or in other words the probability to meet the pension fund targets. In order to comply with the regulation and improve the risk management tecniques Cometa has been using stochastic scenarios since 2013. Cometa currently acquires stochastic scenario sets from an external service provider and based on those calculates the expected investments performances and a wide range of risk metrics. The scenario sets are infact used to calculate the average of different target variables such as projected returns, implied lump sums and replcement rates taking in to consideration: -members' group characteristics (expected retirement age, life expectancy at retirement salary and salary growth), - contributions paid into members' accounts - costs and charges deducted from investment returns - the characteristics of the pay-out phase	Noted, information was very much appreciated and used at a high-level for the purpose of the cost-benefit analysis.

				The risk and performance metrics coming from the strategic composition of the investments (risk target) are then compared to the same metrics coming from tactical composition of the investments (risk profile) in order to verify that the risk tolerance is not exceeded. The risk tolerance is defined by target proper threshold values of: - target variables dispersion - expected losses - probability of not reaching specific lower levels of target variables. Risk metrics based on this kind of analysis are run quarterly at the time of the new scenario sets release, and, annually within the risk manager report to the board.	
76	German Association of Actuaries (DAV)	Q8	No	Not yet available in Germany for DC schemes "Reine Beitragszusage" according to German law BRSG ("Betriebsrentenstaerkungsgesetz")	Noted.
77	German Insurance Association (GDV)	Q8	No	no further comments	Noted.
78	Insurance Europe	Q8			
79	PensionsEurope	Q8	Yes	Pension projections are often used in the design of the pension plan and its investment strategy. Moreover, as prescribed by the IORP II Directive, they are used for projecting future retirement income as part of communication towards members and beneficiaries. In the Netherlands, the URM scenarios provided by DNB ensure that benefit statements are comparable and can be added together in the national tracking system. These quantitative	Noted, information was very much appreciated and used at a high-level for the purpose of the cost-benefit analysis.

				measures are therefore very helpful for participants. Next to that, Dutch IORPs use ALM models (stochastic and/or deterministic).	
80	PensioPlus	Q8	Yes	Pension projections are used in the design of the pension plan and take into account the investment strategy. Based on Social and Labour low, his belongs to the competence of the sponsor (and the social partners) and does not belong to the competence of the IORP.	Noted.
81	EIOPA OPSG	Q9	No	EIOPA should not propose one single model or preferred methodology but should propose more general principles instead. This is from the OPSG´s point of view the most reasonable approach given the huge differences between the single IORP´s, their setup and their legal framework in different European countries as well as the needed flexibility to propose innovative efficient DC plans in particular to address the long-standing on-going nearly zero interest rate environment. Given the many different type of DC pension plans a "one size fits all approach" can never work. Even if EIOPA has designed its own stochastic model for the PEPP, EIOPA must clearly remind that this model does not aim to become a "de-facto" standard for DC risk assessment and that each DC plan provider could use its own stochastic model. It is also adequate under aspects of proportionality, that IORPs (especially smaller ones) may use deterministic models working with some fixed pre-defined scenarios. However, it is true, that in general stochastic models give a deeper insight into the risk situation, although their results may be much more difficult to understand and to interpret, especially for members and beneficiaries.	Partially agreed. Importance of promoting efficient and innovative DC plans is recognised in the objectives as well as in the cost-benefit analysis, also with a view to the principle-based approach and allowing for differences between Member States and IORPs. Opinion was modified to allow for both deterministic and stochastic scenarios, while describing the advantages and disadvantages of both approaches.
82	aba Arbeitsgemeinschaft für betriebliche Altersversorgung	Q9			
83	Actuarial Association of Europe	Q9	Yes	• Stochastic analysis may assist fiduciaries in designing investment strategies, but the benefits in terms of member engagement and	Noted, information provision to plan members

				understanding would need to be considered more fully. Would the additional information be accessible to the majority of members and would it add member understanding and decision making? • Lump sum amounts can seem large, but must be spread over an extended retirement period, projections should consider projected income • Other risks should only be included to the extent that the member bears this risk (e.g. if operational risks are borne by the scheme or service providers, these should be excluded from the analysis) • Projections should be wary of the impact of understating potential returns (as well as of overstating) in terms of encouraging savings and design of investment strategies • Considering the different types of DC pension plans there cannot be found an universal approach that does reflect every specific plan.	is beyond the scope of the opinion. This was clarified in paragraph 2.8. Agreed, clarified in paragraph 3.16 "all risks to which members and beneficiaries are exposed".
84	Assoeuropea	Q9	No	Assoeuropea disagree with the aim of the expected Opinion to set sensible minimum standards for conducting projections of future retirement income. While projections of future retirement income are a good technique to conduct the long-term risk assessment, the IORP2 directive does not back models for the risk assessment. It is up to the single IORP to define the model that better fits its characteristics. The sensible minimum standards for projections could interfere with national regulations, as it is the case of Italy, where IORPs are free to define their projection methods. The sensible minimum standard defined by EIOPA would become a standard for IORPs across the EU, contradicting the spirit of IORP2 (minimum	Noted, minimum-harmonisation approach of the IORP II Directive does not exclude the opinion's aim to enhance supervisory convergence, as foreseen in Article 29(1)(a) of the EIOPA Regulation (EU) No 1094/2010. In particular where such convergence yields net benefits. The opinion aims

				harmonization), and triggering a problem for IORPs that already abide by national provisions on this domain, like in Italy. EIOPA should refrain from issuing such sensible minimum standards. It may be worthwhile to remind that under the IORP2 directive the only reference to pension projections is under the domain of the Pension Benefit Statement (not for risk management purpose) and member states are entitled to define the rules for conducting such projections.	to minimise the impact on national system by taking a principle-based approach, while enhancing the benefits, e.g. in terms of protection of members and beneficiaries.
85	Fondo Cometa Pension Fund	Q9	Yes		
86	German Association of Actuaries (DAV)	Q9	Yes		
87	German Insurance Association (GDV)	Q9	No	In case of Germany, where DC-schemes are negotiated with social partners, the characteristics of collective DC schemes, including the risk preference of members and beneficiaries, are not taken into account sufficiently by the opinion's draft when it comes to the formulation of principles for conducting projections of future retirement income. The effort required to project future retirement income increases abundantly when collective security mechanisms are included. The consequence that for IORPs the effort for projection increases if strategies to limit the volatility of the pension capital are installed is not worthwhile. From the association's point of view, this trade-off - higher effort for the projection of pension income when implementing risk minimisation measures - is not discussed sufficiently in the consultation.	Noted.
88	Insurance Europe	Q9			
89	PensionsEurope	Q9	No	We think the draft Opinion could strike a better balance between setting sensible minimum standards and recognising the specificities of DC schemes in the various Member States by better	Noted, see resolution to Q1 on allowing for differences

				reflecting the minimum harmonization character of the IORP II Directive and by improving the application of the proportionality principle. Also, EIOPA should not propose one single model or preferred methodology but should propose more general principles instead. Given the heterogeneity of DC pension plans, we do not believe a "one size fits all approach" could work. Depending on the Member States considered, the DC plan design including the investment options, smoothing of investment outcomes, introduction of guarantees, etc. is governed by the national social and labour laws. In our view, it should remain up to the NCAs and IORPs to determine if projections of future retirement income should be part of the risk assessment and how these projections should be carried out. Finally, we note that one additional issue to tackle is the different role of 1st pillar pensions in the replacement rates across Europe, as also recognised in EIOPA's DC stress test.	between Member States and IORPs. Use of pension projections is consistent with Article 28(e) which requires IORPs to include in their ORA "an assessment of the risks to members and beneficiaries relating to the paying out of their retirement benefits [..]".
90	PensioPlus	Q9	No	It's up to the IORP to determine if projections of future retirement income should be part of the risk assessment. Depending on the member states the DC plan design including the investment options, investment smoothing, introduction of guarantees,… is governed by the national social and labour law When negotiating the plan design, the sponsor and social partners decide on the plan specifications and might be looking at projections of future retirement income and the risk tolerance of the members. It's not the competence of the IORP to question and/or evaluate the outcome of the plan design determined by the sponsor and the social partners.	Noted, see resolution Q6.
91	EIOPA OPSG	Q10	No Yes Yes	Please also refer to the explanation in the answer of question 9. Additionally, the OPSG wants to make the following comments:	Noted.

			Yes Yes	EIOPA proposes to use market data, which is of course reasonable. EIOPA also proposes not to use any kind of mean reversion assumptions in the stochastic (or deterministic) scenarios. However, the OPSG proposes that EIOPA should think about using some kind of reversion towards (national) economic long-term equilibrium risk free yields (e.g. from quantity theory) but not based on its Ultimate Forward Rate (UFR) as mentioned during the PEPP discussions. We have strong reservation on the use of the UFR (published at 3,6% for 2021) as a proxy of forward risk free rates for pension products and schemes. It is from the OPSG´s point of view quite important to take also such longer-term convergency phenomena into account and not to focus only on actual market conditions or short-term developments. Depending on the respective market phase this would give either a too conservative or a too optimistic view on the risk situation, both of which is not desirable and would be misleading for plan members. Of course, assumptions used in the (deterministic or stochastic) model must be realistic, just as EIOPA stated rightly. This is especially true for capital markets related data. However, since it is not reasonable to have only one single model (which is appreciated by the OPSG as said before), also the type of assumptions and input parameters will be different in the different models applied. This will clearly make it more difficult to compare different outcomes and results stemming from the different models. However, in almost all models long-term return assumptions (stochastic expected values in case of stochastic models) for the different asset classes as well as for the risk of these asset classes and for the interdependency-relations between all of them will be needed. Regarding the last category of input data, stochastic models using a multivariate normal distribution assumption will have to use correlation assumptions between the	Partially agreed, recognised in paragraph 3.18 that market interest rates for longer maturities may not always be available and these may have to be estimated, e.g. by extrapolating interest rates at shorter maturities or using estimates based on economic considerations. Overruling available market interest rates may result in too optimistic return assumptions. Better to show uncertainty around interest rates in favourable and unfavourable scenario rather than in median scenario. Of course, care should be taken not to extrapolate into the future market data observed during exceptional /stressed market circumstances, as included in footnote 21.

				returns (stochastic variables) of the different asset classes, whereas other stochastic models will work with certain assumed copulas describing such interdependencies. In case of deterministic models such assumptions regarding interdependencies might be used more implicitly when developing different deterministic scenarios to be applied. This makes it from the OPSG´s point of view impossible for EIOPA to issue very concrete requirements regarding the assumptions to be used. However, also here EIOPA could think about issuing certain abstract principles ensuring some kind of "minimum quality" of the assumptions used. Such principles might be for example: - Assumed risks for single asset classes should be based on statistical data derived from a long-tern historic observation period (e.g. between 5 and 10 years) - Assumptions regarding interdependencies should also be based on such long-term historic observations or should at least be consistent what could be observed in a longer historic period (backwards from now) - Long term return assumptions should be in line with general market consensus - etc. NCAs could then supervise the respective IORPs in the single member states in order to make sure, that these abstract principles are obeyed to. This would require a sufficient model description and documentation as well as transparency about the assumptions used by the IORP.	Partially agreed, considerations about correlations and long-term historical observations added in paragraph 3.18.
92	aba Arbeitsgemeinschaft für betriebliche Altersversorgung	Q10			
93		Q10	Yes		

	Actuarial Association of Europe		Yes Yes Yes Yes	Recognising that pensions are long-term investments, the use of market sensitive assumptions should not lead to changes in investment strategy (or other decisions) resulting from short-term market events or adverse conditions and some element of medium term smoothing may be appropriate .For long term projections of future retirement income provided by DC plans, the investment return is very important. That leads to a conclusion that the stochastic scenarios on the return is good to be applied. However, we should note that stochastic calculations are more costly than deterministic ones, either in perspective of resources and of complexity. The IORPs would need to have in-house expertise on stochastic modelling. Therefore, we consider usage of stochastic approach reasonable only on the basis of proportionality. In all other cases a deterministic scenario with adequate assumptions could be applied for long-term projections of the retirement income. We also consider as very important all main characteristics of the DC plan to be covered appropriately by the projections. To be able to assess the results of the projections the IORP need to define relevant indicators in advance. They could be used to assess both the current performance and the risk to deviate from the long-term targets.	Partially agreed, recognised in footnote 21. Agreed, opinion was modified to allow for both deterministic and stochastic scenarios, while describing the advantages and disadvantages of both approaches.
94	Assoeuropea	Q10	Yes Yes Yes Yes No	Stochastic scenarios are a good way to feed pension projections; while their results are highly reliable, they are complex and not easy to understand by members. Assoeuropea agree on the need to define target variables and risk/performance indicators. Assoeuropea deem inappropriate the reference to PEPP regulation as well as that to the OECD Pension Outlook 2020 – Selecting default investment strategies, Chapter 4, 7 December 2020. The IORP2 directive does not endorse risk management models (and the underlying assumptions), recognizing the differences across EU	Noted, information provision to plan members is beyond the scope of the opinion. This was clarified in paragraph 2.8. Partially agreed, references to PEPP have been reduced, even though still recognised as an appropriate example of stochastic scenario

				IORPs and the lack of the need for standardization. IORPs should be free to determine the target variables and risk & performance indicators, based on the characteristics of the schemes as well as of members and beneficiaries.	analysis. The cost-benefit analysis was amended to reflect the principle-based nature of the expectations.
95	Fondo Cometa Pension Fund	Q10	Yes Yes Yes Yes Yes		
96	German Association of Actuaries (DAV)	Q10	Yes Yes Yes Yes Yes	Generically yes, but we would suggest to allow for scenario based approach, given that stochastic simulations are subject to a number of estimation errors.	Agreed, opinion was modified to allow for both deterministic and stochastic scenarios.
97	German Insurance Association (GDV)	Q10	No No No No No	Since the benefit of the stochastic projection of future retirement income for DC schemes in Germany is not apparent, no statements can be made at this point about the suitability of the content of the above principles.	Partially agreed, opinion was modified to allow for both deterministic and stochastic scenarios.
98	Insurance Europe	Q10			
99	PensionsEurope	Q10	No Yes Yes Yes No	As mentioned in the previous answer, we think the draft Opinion could strike a better balance between setting sensible minimum standards and recognising the specificities of DC schemes in the various Member States. Although par. 3.13 mentions the need of taking into account the specificities of DC schemes, the principles suggest a certain approach, model, or preferred methodology instead of setting more general principles. - Principle of stochastic scenarios of asset returns: in principle, EIOPA requires to NCAs to base the projections on stochastic scenarios of asset returns. The exceptional option of using a deterministic approach is provided only if the NCA need to ensure	Noted, see resolution to Q1 on allowing for differences between Member States and IORPs. Agreed, opinion was modified to allow for both deterministic and stochastic scenarios.

				a proportionate application of the opinion. In our opinion this does not strike the right balance, as NCAs should be able to decide whether to use stochastic or deterministic models. The IORPs landscape and their pension plans in Europe are far too diverse to set detailed rules. Deterministic models, if well designed, can lead to reliable projections and can be a valid way to calculate future pension income. Deterministic models are more comprehensible for members and beneficiaries and could therefore be chosen by the legislator as their preferred option. We recognize that stochastic models provide a fuller picture of potential risks, and they are used by some CAs. At the same time, we question whether more information is always useful and whether the additional costs are proportionate to the benefits. Therefore, in our view, EIOPAs' opinion should not encourage NCAs to limit the use of deterministic models with the presumption that stochastic modelling is preferable. - Market-sensitive and realistic assumptions: although we generally support this principle, we have reservations on the further specifications suggested: o Realistic risk premiums over risk-free rates o Refrain from assuming mean reversion in returns We highlight that these specifications risk overestimating the real risk of life-cycle strategies over their long investment horizon and could mislead plan members. Financial economists have struggled to agree on what constitutes a risk-free rate. During EIOPA's work on the level-2 legislation on PEPP, EIOPA suggested using its Ultimate Forward Rate (UFR) as a proxy for the long-term risk-free rate and as a performance benchmark for the PEPP. We have strong reservations about the use of the UFR. The UFR concept is largely unknown to most and is used for Solvency II, not for pension products or occupational pension schemes. It is sufficient to point out that the UFR for the euro applicable in 2021 equals	Noted. Partially agreed, the issue of the unavailability of market interest rates is addressed in paragraph 3.18 without prescribing the UFR as a solution.

				3.6%. In today's ultra-low interest rate environment, it would therefore be misleading to suggest that members can or should expect to obtain this high level of return without taking any risk. Moreover, we believe that the risk-premium in Annex 4 for non-fixed income of 300 basis points is on the low side, particularly during times of low-interest rates. - Target variables and risk & performance indicators: the IORP II does not foresee target variables and risk & performance indicators. Therefore, providing further guidance would bring a very limited added value.	Noted.
100	PensioPlus	Q10	No No No No No	Although we can agree that some of these principles are useful in certain contexts, in general it's up to the IORP to determine if projections of future retirement income should be part of the risk assessment and to determine the tools and assumptions to be used in this context.	Noted.
101	EIOPA OPSG	Q11	Yes, agree to recognise and allow different methods	Since the members and beneficiaries carry the whole (or at least a very significant part of the) investment risk, any kind of risk assessment for DC schemes has to assess risk from the point of view of the beneficiaries. Hence it is helpful, that the IORP develops a general feeling for the risk tolerance of that population and takes this into account accordingly paying attention to the characteristics of the supplementary DC pension plan. This is especially true if the IORP defines a default investment strategy which will be applied for an individual member, if this member takes no active decision in favour of a certain different investment strategy offered by the IORP (if possible). However, it has to be clear that to a certain degree this may also depend on the "stomach feeling" of the IORP and/or NCAs, since an objective scientific methodology for measuring such risk tolerance of members is generally not available. Asking the individual members about their risk tolerance (e.g. how much pension cuts they are willing to accept, if things go bad) can be problematic, because	Noted.

				many people may not be able really to understand this issue to an extent which would be necessary to take a really informed decision and to give a sound answer. This is even more the case in pension plans with compulsory affiliation. Also, the additional administration costs, which such a procedure can cause (and which in most cases would have to be paid by the beneficiaries), must be limited to an acceptable level. It also has to be mentioned, that a member´s risk tolerance may change during his/her lifetime, e.g. it may reduce if a person marries and gets children compared to the time when this person still was living on his/her own. Hence, the assessment of a member´s individual risk tolerance is not a one-time event - it would have to be updated regularly. If the risk appetite is only determined for a certain cohort, the investment risks which are accepted by the IORP may not be fitting with the specific risk tolerance of an individual and may hence result in an overall risk position, which this specific individual may not be willing or able to take. The sponsor can take this into account when designing his DC pension plan (including elements such as return smoothing, solidarity between members, investment guarantees, etc.). Hence, a DC risk assessment from a member´s point of view starts already with the design of the pension plan and is performed by the plan sponsor at that point in time. It is at that stage independent from the funding vehicle (IORPs, insurers, support funds, institutions operating social security schemes, …). In this context a certain priority should be given to an adequate but also proportionate level of accuracy in member profiling that feeds into the design of the respective DC strategy.	
102	aba Arbeitsgemeinschaft für betriebliche Altersversorgung	Q11	Yes, agree to recognise and allow different methods	We strongly encourage EIOPA to leave room in the Opinion for taking into account the risk tolerance of members and beneficiaries in different ways. What is adequate will i.a. depend on the set-up of the DC scheme, e.g. whether it is individual or collective. Generally, we see a number of problems with requiring IORPs to survey their members and beneficiaries:	Noted, the opinion specifies that appropriate methodologies should be used to establish risk tolerance. Surveys are mentioned as an example,

				• Members might not be best informed and/or equipped to determine what their risk tolerance is. To give for example the maximum tolerable cut to an occupational pension, members have to know what their overall income in retirement is projected to be, and compare that to the costs of the lifestyle they will want to lead. • Risk preferences change over time – young singles will be prepared to bear more risk than someone who is middle-aged and has a family. • Sending out questionnaires to some or even all members can be (very) expensive, making occupational pensions more costly to the detriment of the members and beneficiaries. Smaller IOPRs are likely to be harder hit by these additional costs. For collective DC schemes, a collective risk tolerance would have to be determined. It is unlikely that the best way to achieve this is a survey of all individual members. • Member representatives regularly have better expertise and/or are able to buy expertise from consultants to determine what works best for the members they represent. Where the social partners are involved in the investment strategy, members' and beneficiaries' interests are taken into account.	besides indirect measurements through representatives of DC members (like social partners).
103	Actuarial Association of Europe	Q11	Yes, agree to recognise and allow different methods	Since there are so many different characteristics of DC plans it is not possible to have one benchmark that fits all. In the same time having the major risk borne by members, we expect that the risk tolerance level (on individual base) may change during the lifetime. The risk tolerance level also depends on the design and characteristics of IORP.	Noted.
104	Assoeuropea	Q11	Yes, agree to recognise and	EIOPA is right in recognizing and allowing flexibility in the estimate of the risk tolerance of DC members and beneficiaries, as an	Noted.

			allow different methods	objective methodology for defining such risk tolerance of members is generally not available. Members of the IORP should be adequately profiled, taking into account the age, the contribution flow, the expected retirement income, 1st pillar entitlements.	
105	Fondo Cometa Pension Fund	Q11	Yes, agree to recognise and allow different methods		Noted.
106	German Association of Actuaries (DAV)	Q11			
107	German Insurance Association (GDV)	Q11	Yes, agree to recognise and allow different methods	From the perspective of the DC schemes in Germany, the risk tolerance of the members and beneficiaries is explicitly considered a priori by the social partners. Supplementary analyses of risk tolerance should not be mandatory. In this context, national guidelines should take into account the design of supervised DC schemes (according to 2.8). It should be considered in EIOPA's opinion that social partners take members' and beneficiaries' interests and preferences extensively into account. Additional individual surveys to determine risk preference of members and beneficiaries (3.29 -3.33) should therefore be optional for reasons of efficiency, provided that social partners are involved.	Noted, the opinion specifies that appropriate methodologies should be used to establish risk tolerance. Surveys are mentioned as an example, besides indirect measurements through representatives of DC members (like social partners).
108	Insurance Europe	Q11			
109	PensionsEurope	Q11	Yes, agree to recognise and allow different methods	Yes, we strongly agree and urge EIOPA to maintain a flexible approach in this area. NCAs and IORPs are best placed to consider how members' and beneficiaries' risk tolerance should be assessed and eventually how it should be considered by the IORPs' investment strategy. Therefore, we appreciate EIOPA's supervisory expectations do not encourage NCAs to follow overly detailed principles or more specific guidance on the assessment of the risk tolerance of members. What is adequate depends on the specificities of the DC scheme considered.	Noted.

				Generally, there are arguments running against the requirement for IORPs to regularly survey their members and beneficiaries: • Individual members might not be able to understand this issue to an extent that allows them to make the best decision. This might be due to a lack of information or a lack of financial education. To give an example, as for the maximum tolerable cut to an occupational pension, members need to know what their overall income in retirement is projected to be and compare that to the costs of the lifestyle they expect. • Surveying some or even all members is very costly to the IORP – this makes occupational pensions more expensive and might be to the detriment of members and beneficiaries. In proportion, smaller IOPRs would suffer the most in case they will have to face additional administrative costs. • For collective DC schemes, a collective risk tolerance would have to be determined. It is unlikely that the best way to achieve this is a survey of all individual members. • We expect that the risk tolerance of participants does not change very strongly, except potentially during a financial crisis. It is questionable whether a strong but temporary change in risk appetite should influence strategic asset allocation. Although certain events (e.g. children, mortgage) might change the risk appetite of members and beneficiaries, changing the investment strategy accordingly might not be in their best interest. • The social partners can take risk tolerance into account when designing DC pension plans. Hence, a DC risk assessment from a	

				member´s point of view starts already with the design of the pension plan and is performed then.	
110	PensioPlus	Q11	Yes, agree to recognise and allow different methods		Noted.
111	EIOPA OPSG	Q12	Yes	Since market conditions and markets risks change over time – as well as other factors like e.g. life expectancy (which of course is relevant for the member regarding his/her planning for the retirement period) – EIOPA is right in proposing, that such risk assessment and as a consequence a potential adjustment of the investment strategy resulting out of this risk assessment should be done on a regular basis. If risk parameters change, also different investment strategies than the ones currently used may become more "optimal" for reaching the targeted pension level for the respective beneficiaries. So, (similar to a classical ALM-procedure in case of a DB scheme) also the investment strategies would have to be adjusted in such a case. From that, it is more than justified, that EIOPA proposes to make it transparent in the statement of investment principles (SIPP), how the investment strategy is derived and determined on the basis of such risk assessment.	Noted.
112	aba Arbeitsgemeinschaft für betriebliche Altersversorgung	Q12			
113	Actuarial Association of Europe	Q12	Yes	Our understanding is that the Investment strategy is not the starting point for DC scheme but rather an instrument to support achieving the main targets. The Investment strategy should reflect the design of the DC scheme, its characteristics, targets, size in terms of AuM and the number of members, projected dynamics in both perspective, liquidity issue and so on. Hence, the investment strategy should be assessed periodically considering the recent results from long-term risk assessment.	Noted.

114	Assoeuropea	Q12	Yes	Assoeuropea agree that the design and periodical review of the investment strategies should consider the long-term risk assessment using projections of future retirement income and taking into account the risk tolerance. This activity should not be stand-alone, instead it should be conducted on a continuative basis to verify the achievement of the target of the investment strategy of each investment line.	Noted.
115	Fondo Cometa Pension Fund	Q12	Yes	As discussed before (question number 8), Cometa uses the projections of the target varables (including retiremnet income) for all the multiple investment options and verify, on regular basis, the risk tolernances thresholds are not excedeed	Noted.
116	German Association of Actuaries (DAV)	Q12	Yes		
117	German Insurance Association (GDV)	Q12	No	Since agreements of social partner can be taken into account in the risk strategy and these can also be considered in the investment strategy within the German 'Sozialpartnermodell', it would be redundant to use projections of future retirement incomes in the assessment of the investment strategy. A renewed consideration of risk tolerance is also unnecessary, as the risk strategy is designed for the long term.	Noted, according to IORP II Directive, IORPs also have their own responsibility with regard to risk management and investment of assets.
118	Insurance Europe	Q12			
119	PensionsEurope	Q12	No	We believe that it should be the responsibility of the NCAs and IORPs to determine whether projections of future retirement income should be part of the risk assessment. Depending on the member state, the DC plan design including the investment options, smoothing of investment outcomes, introduction of guarantees, etc. is governed by the national social and labour law. When negotiating the plan design, the sponsor and social partners decide on the plan specifications and might be looking at projections of future retirement income and the risk tolerance of the members. It is not the competence of the IORP to	Noted, use of pension projections is consistent with Article 28(e) which requires IORPs to include in their ORA "an assessment of the risks to members and beneficiaries relating to the paying out of their retirement benefits [..]". According to IORP II Directive, IORPs also have

				question and/or evaluate the outcome of the plan design determined by the sponsor and the social partners.	their own responsibility with regard to risk management and investment of assets.
120	PensioPlus	Q12	No	It's up to the IORP to determine if projections of future retirement income should be part of the risk assessment.	Noted, see resolution Q6.
121	EIOPA OPSG	Q13	At least every three years, unless there is a significant change in the risk profile	Every three years is a timeframe, which ensures on one side, that the risk situation of the scheme is regularly assessed (including potential readjustments of the investment strategy) and that at the same time, the effort, burden and costs for the IORP, its sponsors and its beneficiaries resulting out of the assessment stay on an adequate and - most probably - acceptable level. Moreover, an IORP would lose its strategic mindset and would also incur unnecessary costs and effort, if it adjusted its investment strategy (we are not talking about smaller tactical adjustments here) every year. However, in case of very significant structural changes in capital markets or in the risk profile, such assessment would have to be done earlier. But this corresponds exactly to the proposal beneath the first tickbox.	Noted.
122	aba Arbeitsgemeinschaft für betriebliche Altersversorgung	Q13			
123	Actuarial Association of Europe	Q13	At least every three years, unless there is a significant change in the risk profile	Three years seems to be appropriate. Some periodic monitoring of KPIs / market conditions which could trigger an acceleration of the next review may be appropriate. Every three years is a reasonable term that gives enough time to get results / observations from investment strategy, market dynamics, demographic trends and other factors.	Noted.
124	Assoeuropea	Q13	At least every three years, unless there is	Assoeuropea agree that at least three years is sufficient, unless the case in which there is a significant change in the risk profile of the investment options.	Noted.

			a significant change in the risk profile		
125	Fondo Cometa Pension Fund	Q13	More regularly	The risk assessment performed using pension projections should be conducted at least every three years, or in case of risk profile significant changes. Anyway we think this kind of assessemnt should be conducted on more regulary basis: - annualy (within the annual report of the risk manager to the board) - quarterly (at the time of the new scenarios releas by the provider)	Noted, at least every three years, as included in the opinion, allows for more frequent assessments.
126	German Association of Actuaries (DAV)	Q13	At least every three years, unless there is a significant change in the risk profile	Three years seem to be appropriate given the long-term nature of DC schemes.	Noted.
127	German Insurance Association (GDV)	Q13		Since the benefit of stochastically projecting future retirement income remains unclear in the consultation, no statement can be made here about the frequency with which this analysis is carried out. In any case, when implementing guidelines, proportionality and appropriateness to the respective national specificities should be taken into account.	Noted, opinion was modified to allow for both deterministic and stochastic scenarios.
128	Insurance Europe	Q13			
129	PensionsEurope	Q13		We believe the frequency should be considered by the NCA. We do not believe that NCAS should necessarily expect IORPs to measure risk tolerance every time as part of the ORA, i.e. once every three years. The heterogeneity in occupational DC schemes described in par. 2.7 should be better reflected throughout the opinion.	Noted.
130	PensioPlus	Q13	At least every three years,		

			unless there is a significant change in the risk profile		
131	EIOPA OPSG	Q14	No	Not entirely. For more details please refer to the answer of question 9.	Noted, please refer to resolution Q9.
132	aba Arbeitsgemeinschaft für betriebliche Altersversorgung	Q14			
133	Actuarial Association of Europe	Q14	No	Not completely. As a next step the specificities of DC schemes in the various Member States should be further recognised and analysed. Only after that a segregation approach based on proportionality could be discussed.	Noted.
134	Assoeuropea	Q14	No	Assoeuropea supports the right objective to take the interest of members and beneficiaries at the heart of the risk management system and already right now, at least in some member states like Italy, this objective is already achieved. However, it may be worth to recall that the IORP2 directive states that it is up to every IORP to define the better risk management system and to carry out the own risk assessment, in a manner that is proportionate to its size and internal organisation, as well as to the size, nature, scale and complexity of its activities. The IORP2 directive does not define risk management systems. We recognize that stochastic (or deterministic) projections could be used for risk management purpose. EIOPA's proposals could be one method to carry out stochastic projections, but it is not the only one. IORPs should be free to use other methodologies that better fit their characteristics.	Noted. Minimum-harmonisation approach of the IORP II Directive does not exclude the opinion's aim to enhance supervisory convergence, as foreseen in Article 29(1)(a) of the EIOPA Regulation (EU) No 1094/2010, in particular given the envisaged benefits due to the principle-based approach taken.
135	Fondo Cometa Pension Fund	Q14	Yes	They do. Once a wider range of data are collected from pension funds (see answer number 5) the standard formula for the operational risk could be easy to apply. Moreover, while	Noted.

				acknowledging the advantages of the sthocastic modelling approach compared to the deterministic one, the Opiniones leaves the choiche of models and methodologies to the pension funds.	
136	German Association of Actuaries (DAV)	Q14	No	Given the high level arguments and considerations this is difficult to access, the proportionality has to be assessed on a more detailed operational and implementation level.	Noted.
137	German Insurance Association (GDV)	Q14	No	The Opinion should be very clear in emphasizing a proportionate approach, especially if pension schemes with (minimum) guarantees would remain within the scope of the Opinion. If the risk borne by the beneficiaries is modest, additional requirements concerning risk management are dispensable – always bearing in mind cost in relation to benefit.	Agreed, made clear in paragraph 3.2 that the application of the opinion to other schemes should be proportional to the risks borne by members and beneficiaries.
138	Insurance Europe	Q14			
139	PensionsEurope	Q14	No	A more proportionate approach would consist of focusing efforts on the assessment of the implementation of the provisions included in the IORP II Directive and in supporting and facilitating the exchange of good practices among NCAs. The supervisory expectations set by this opinion go beyond the requirements of the IORP II Directive. It would be preferable to first investigate further the different approaches and practices that have been adopted. A more in-depth analysis of the cost and benefits of this opinion is needed. This should also include a more thoughtful explanation of the added value that this opinion would bring to members and beneficiaries and of the costs of implementing any supervisory changes. It should be considered that too stringent and ill-conceived risk assessment would probably lead to less long-term investment for financing Europe's post-pandemic social, climate and digital's transitions. A strongly uniformised risk assessment could lead to herd behaviour, in particular in periods of stress, ultimately increasing systemic risk.	Partially agreed, the cost-benefit analysis was adjusted to clarify the principle-based approach – instead of uniform approach - taken by the opinion, while recognising the benefits of some degree of supervisory convergence.
140	PensioPlus	Q14	No	It's up to the IORP to determine if projections of future retirement income should be part of the risk assessment.	Noted, see resolution Q6.

141	EIOPA OPSG	Q15	Yes	Since the risk assessment should be done from a participant´s point of view, all costs, which lower the resulting benefits for beneficiaries have to be taken into account also in the context of a DC risk assessment. Since in a risk assessment risks related to the potential level of benefits (e.g. investment risks) have a different nature than risks related to costs, any offsetting of costs against income positions should be avoided. For the same reason the OPSG supports EIOPA´s point of view, that in this context a strict Look-Through-Approach including all costs and charges incurred at the level of investment funds and their managers should be followed. In this context also costs for investment management, which are not fixed, but depend on the performance of the investment manager (e.g. performance fees) should be properly included, if the influence of these costs on the overall result is not insignificant (otherwise these could be left out for reasons of proportionality, since the integration of such costs into the risk model can be quite cumbersome). Since the assessment should cover the beneficiaries´ point of view, any (administrative) costs which are directly paid by sponsoring companies should consequently be left out, because they do not at all influence the future pension result of the beneficiaries. Including such costs would also often not contribute to a higher degree of comparability and would often tell us nothing about the IORP´s efficiency and/or the affordability of the IORP for sponsors. First, if an IORP has a sponsor company, to which a big part of its pension products can be assigned, and beside that only few sponsor companies having a relatively small share on the IORP´s pension products, it is sometimes the case, that this "majority" sponsor companies pays certain costs. So, in such a case, strictly speaking, the cost level for different sponsor companies might be different. Often sponsor companies have also certain information requirements with regard to an IORP – and are willing to pay for that. In such a situation the cost level is influenced by these	Noted. Noted, opinion specifies that costs being deducted from investment returns and contributions should be included.

				sponsor companies themselves and it would be misleading to compare the cost structure (including such costs paid by the sponsors) of that IORP with the cost structure of another IORP having sponsors with much less information requirements resulting in lower administrative costs. Also the argument, that reporting of these cost blocks may give additional insight with regard to the question, if – especially in the situation of a crisis – a sponsor company can still afford the pensions provided by this IORP, has to be questioned, because experience tells, that the size of such administrative costs is usually quite irrelevant for the respective employer. Since costs are not constant over time, an increase of those costs, which are borne by the beneficiaries is also a risk from their point of view. Hence such costs should also be stressed in a DC risk assessment. In case of a deterministic model realistic cost stress parameters could be developed from analysing e.g. corresponding wage cost indices (which are often published by national statistic bureaus) or consumer price indices. Here, it has to be decided in every single case, which publicly available cost index might be a good proxy for the development of these cost positions of the respective DC scheme. In case of a stochastic model one could look for a suitable probability distribution of the changes of such cost indices and use these changes as a stochastic variable in the model. Of course, correlation and dependencies to other stochastic variables in the model (one would e.g. expect a positive correlation between inflation and nominal fixed income yields) have to be taken into account properly. Having said that, the complexity of any modelling has to be proportionate to its needed accuracy because this additional modelling could imply additional costs for plan members.	Agreed, expense risk added as example of all risks to which members and beneficiaries can be exposed.
142	aba Arbeitsgemeinschaft für betriebliche Altersversorgung	Q15	Yes	No. 2.7 states: “This Opinion recognises the heterogeneity in occupational DC schemes across Europe. DC schemes feature different risk-mitigation techniques in the accumulation phase and designs of the pay-out phase. DC schemes also differ in respect of	

				the choice and responsibility they offer. Some DC schemes offer plan members a range of investment options to choose from in accordance with retirement needs and risk preferences. Others take a more collective approach, often with an important role for social partners in the design of the scheme and its investment policy." Our proposal: We very much welcome this point. We would like to stress that there are fundamental differences between pure DC schemes where no risk is shared at all, usually coupled with choice for the individual, and collective systems with or without mechanism to smooth the impact of capital market developments, often coupled with less choice for the individual. Collective systems often include security mechanisms, such as the involvement of the social partners and should therefore be treated differently (e.g. Sozialpartnermodell in Germany). We urge EIOPA to recognise those differences throughout the Opinion, both by bearing in mind the heterogeneity when drafting the Opinion and by leaving sufficient leeway for national competent authorities to implement the Opinion in a way which benefits their systems the most. Finally, being a member of PensionsEurope, we would like to refer to their response.	Noted, in EIOPA's view the opinion takes a principle-based approach allowing for sufficient flexibility.
143	Actuarial Association of Europe	Q15	Yes	A simple communication with deterministic approach in an equation with the level of financial literacy of plan members is better than a sophisticated one with stochastic approach that members do not understand what mathematically they mean. We also consider the choice of the default option/fund selected in case of no answer from the plan member in DC schemes as an important issue that is not enough put forward in the questionnaire.	Noted, information provision to plan members is beyond the scope of the opinion. Still, this observation is agreed. Stochastic indicators may be appropriate for internal risk management, but not

					for information provision to members and beneficiaries. Agreed, further attention has been paid to default options/choice in paragraph 3.9.
144	Assoeuropea	Q15	Yes	One source of risk that should be considered in the long-term risk assessment which is not explicitly mentioned in the consultation document are ESG factors. They are explicitly mentioned in the IORP2 directive and should be considered in such assessment. Another issue to consider could be the control of the flows of liabilities, providing for an asset allocation that specifically takes into account them. In the current environment of enduring low interest rates, with an increasing number of IORPs are pushing for illiquid asset. A control of flows could therefore be envisaged, especially for the community in a decreasing phase.	Agreed, ESG risks were added as example of all risks to which members and beneficiaries can be exposed. Noted.
145	Fondo Cometa Pension Fund	Q15	No		
146	German Association of Actuaries (DAV)	Q15	Yes	We think that it is extremely important that members and beneficiaries are able to understand the information they will receive and base their decisions on them, otherwise the information is just a costly exercise for the schemes. We would suggest to look at other areas like insurance to see which publically available information is really used by individuals (e.g. owner of insurance contracts).	Noted, information provision to plan members is beyond the scope of the opinion. Still, this observation is agreed. Stochastic indicators may be appropriate for internal risk management, but not for information provision to members and beneficiaries.

147	German Insurance Association (GDV)	Q15	Yes	The supervisory risk-based approach proposed by EIOPA in the consultation should take into account the design of the DC schemes in the respective countries and recognise already legally fixed regulations and agreements of social partners. In this context, the consideration of national specificities (2.8) by the NCA is to be welcomed, so that the objectives pursued in the consultation can be implemented country-specifically. In accordance with the envisaged risk-based approach, further specifications on risk assessment, beyond those already in place, should be at most optional for DC IORPs which consider the risk preference of members and beneficiaries by design. It should be considered in EIOPA's opinion that social partners take members' and beneficiaries' interests and preferences extensively into account. Additional individual surveys to determine risk preference of members and beneficiaries (3.29 -3.33) should therefore be optional for reasons of efficiency, provided that social partners are involved. From the association's point of view, stochastic modelling and estimation is not straightforward in various aspects. In addition, there is no consistent gain in information from theses analyses. The added value of the envisaged proposal is disproportionate to the cost. The benefit for members and beneficiaries is not apparent. On the contrary, the existing national regulations of reporting to NCA in Germany and agreements of social partners are so comprehensive that an explicit consideration of the existing risks is ensured. The definition of DC Schemes used in 3.2. is too wide. The far-reaching definition in 3.2. offers no added value and would rather cause additional costs to IORPs which are already subject to comprehensive regulation and supervisory scrutiny. Accordingly, we advocate focusing on pure DC commitments only. In any case,	Noted, according to IORP II Directive, IORPs also have their own responsibility with regard to risk management and investment of assets. The opinion specifies that appropriate methodologies should be used to establish risk tolerance. Paragraph 3.32 does not only give surveys as an example, but also indirect measurements through representatives of DC members (like social partners). Partially agreed, opinion was changed in order to provide that pension projections can be based on stochastic or deterministic scenarios. Partially agreed, definition of DC was amended, but CAs should also expect other IORPs to perform risk assessment from the perspective of members

				pension schemes with liability obligations of the employer, as for example in Germany according to Company Pensions Act (§ 1 Abs. 1 BetrAVG), should not be in the scope of the consultation.	and beneficiaries, where they are exposed to material risks, taking an approach proportional to those risks.
148	Insurance Europe	Q15	Yes	Introduction:Insurance Europe wishes to share general comments on EIOPA's draft opinion on the supervision of the long-term risk assessment of defined contribution (DC) institutions for occupational retirement provision (IORPs). Requirements applicable to IORPs can have an impact on insurers (either directly or indirectly), although this varies greatly across Europe. More details and national views will be shared separately in the responses submitted by Insurance Europe's member national associations. Risk-based approach:The supervisory risk-based approach proposed by EIOPA in the draft opinion should take into account not only differences in the design of DC schemes across Europe but also existing regulations and/or social partners' agreements.Given the diversity of DC pensions across Europe, the insurance industry believes that a harmonised approach to the operational risk measurement applicable to DC IORPs cannot be defined at European level. Such an approach would only be an additional burden, as it is unlikely to allow for adaptation to specific risks. In addition, it contradicts the essence of the IORP II Directive, which allows member states to define measures that are better suited to their own markets (as per articles 28 and 25). Against this background, any further specifications/recommendations dealing with risk assessment should remain optional for DC IORPs. In addition, the design of DC schemes often already take into account members' and beneficiaries' risk preferences by default. For instance, in many countries, the interests of members and beneficiaries are adequately safeguarded by social partners.	Noted. Noted, in EIOPA's view, the opinion takes a principle-based approach, allowing for differences between Members States and IORPs. According to IORP II, IORPs also have their own responsibility with regard to risk management and investment of assets.

				Quantitative risk measurement and stochastic modelling: Factoring in stochastically so many elements would result in very volatile and unreliable pension projections, which are not only hard to understand but also challenging to perform. When it comes to measuring the risks and performance of saving products over such long periods, the consideration of too many risk variables could result in very volatile and unreliable outcomes. The work conducted by the Organisation for Economic Co-operation and Development (OECD) on stochastic modelling for the pan-European personal pension product (PEPP) shows that the investment risk is the only decisive risk. Additional factors such as unemployment, wage growth, etc. have little influence and lead to unnecessary complexity. Insurance Europe would like to reiterate that performance projections are always an estimation and never a guaranteed outcome. As a result, projections can never be "real"; considering projections as guaranteed outcomes could be very detrimental to consumers' understanding and would bring no added value for national supervisors. Moreover, the use of stochastic models for risk assessment is not always necessary. Some providers, depending on their size and activities, may be better using deterministic models, eg, deterministic, scenario-based asset liability management (ALM) has proved to be a real added value for all stakeholders, including from a cost/benefit point of view. In general, the insurance industry would urge EIOPA to be cautious when replicating discussions that took place on the PEPP to other types of pensions. The PEPP framework is yet to implemented and its workability is still to be assessed. Personal pensions and DC occupational pensions can be very different in practice and blind replication could have detrimental consequences.	Partially agreed, opinion was changed in order to provide that pension projections can be based on stochastic or deterministic scenarios. Noted, in EIOPA's view, the opinion does not "interfere with the existing regulatory framework" but rather clarifies the IORP II Directive for the purpose of national supervision.

				Use of opinions:Last but not least, Insurance Europe has noted the increased use of supervisory tools (Level 3) in relation to IORPs since the adoption of the IORP II Directive. During the negotiations on the Directive, policymakers willingly agreed not to introduce any Level 2 measures, leaving it up to members states to implement and supplement as they see fit the minimum harmonisation requirements it introduced. As a result, Insurance Europe feels that such detailed Level 3 provisions somewhat contradict the political agreement. It is important that the "soft" powers granted to EIOPA by its establishing regulation do not replace ordinary regulatory and legislative procedures. The impact of the use of these tools is significant and interferes with the existing regulatory framework. Therefore, the insurance industry strongly encourages EIOPA to only use them when there is a sufficiently clear and defined legal mandate stemming from EU legislation.	EIOPA Regulation (EU) No 1094/2010 provides a clear legal mandate to enhance supervisory convergence, especially where this is accompanied by benefits, such as increased protection of members and beneficiaries.
149	PensionsEurope	Q15	No		
150	PensioPlus	Q15	No		