

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

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

Name of Company:	BT Pension Scheme	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Do not change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇒ Leave the last column <u>empty</u>. ⇒ Please fill in your comment/response in the relevant row. If you have <u>no response</u> to a question, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments/responses which do not refer to the specific numbers below. <p>Please send the completed template, in Word Format, to CP-14-040@eiopa.europa.eu . Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the questions refers to Consultation Paper on Further Work on Solvency of IORPs.</p>		
Reference	Comment	
General Comment	<p>We welcome the opportunity to respond to EIOPAs consultation paper on further work on the solvency of IORPs. We do not intend to respond to the individual questions outlined in the Paper. Rather we prefer to highlight a number of key comments and concerns we have regarding EIOPAs ongoing work on the solvency of IORPs which we will include in the general comments section of the template provided.</p> <p>By way of background, the BT Pension Scheme ("BTPS" or the "Scheme") is the UK's largest corporate defined benefit (DB) pension scheme with assets of over £40 billion (as of 30 June 2014) and over 300,000 scheme members. Members are entitled to a pension as part of their employment contract- they have not been sold a financial product like an insurance policy. BTPS is closed to new members and its objective is therefore to ensure that members receive in full the</p>	

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

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

accrued benefits to which they are entitled.

BTPS shares EIOPA's ambitions outlined in its consultation paper – namely to support the financial security of IORPs and encourage strong risk management by IORPs. We welcome EIOPA's change of tone including the consideration of a wider range of options for IORPs and new flexibility for implementation to national regulators who are likely to be best placed to supervise the solvency of IORPs.

However we continue to question whether EIOPA's proposed standardised and one-size-fits-all approach is the most appropriate way to realise its stated ambitions, particularly in markets which already have tried and tested systems in place for protecting scheme members' benefits, like the UK. The combination of sponsor support, back-up from the Pension Protection Fund and oversight (and, when necessary, enforcement) by the Pensions Regulator has proved highly effective in the UK DB environment.

Similar to other UK schemes, BTPS has a well developed process for assessing sponsor support and a well-established risk management system which takes full account of the very wide range of factors involved. BTPS has put in place robust risk management practices including understanding the correlation between covenant, funding and investment risks and appropriate scenario and stress testing to analyse and manage such risk. The BTPS approach is in line with that supported and encouraged by the UK Pensions Regulator who provides extensive guidance to Trustees of UK DB schemes in these areas.

We therefore believe IORPs, particularly those which are closed to new members, should be able to develop risk-assessment and risk-management tools that are appropriate to the specific circumstances of their unique arrangements under the supervision and guidance of local regulatory bodies. At an EU-level, any requirements under pillar 2 should be principles-based and should not stipulate the Holistic Balance Sheet as the only appropriate risk management tool, as there may be other, more suitable tools available to different IORPs. Developing and complying with a mandatory and prescriptive regime predicated on the use of a Holistic Balance Sheet will inevitably be time consuming and costly for IORPs and we do not see that it will drive better outcomes for IORPs or their members than the processes already deployed locally.

We do not support EIOPA's proposal that IORPs should be required to publicly disclose outcomes of a pillar 2 assessment. The Holistic Balance Sheet is complex and it is difficult to see how its

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

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

disclosure would facilitate members making any informed decisions. Some information provided to trustees to facilitate their evaluation of sponsor support can be commercially and price sensitive. Mandatory disclosure may result in restricted information flows between sponsors and trustees which could be detrimental members' interests. Disclosure also risks the information being misunderstood and mis-used, with potential adverse implications for sponsors and, in turn, long term investments, growth and job prospects in the EU.

Aside from the substantial additional initial and ongoing costs to schemes and their employers likely to result from overlaying the well-established UK's funding and supervisory regime with additional complex and prescriptive requirements, we are concerned EIOPA's one-size-fits-all approach to financial and risk management could in fact be detrimental to its stated ambition, perhaps resulting in further herding of pension schemes into the same narrow set of matching assets and potentially leading to increased systemic risk which is exactly what it is trying to avoid.

BTPS' Trustees have long recognised that a well-governed scheme with an appropriate funding plan, collaborating with a strong employer, provides the best foundation for long-term protection of member's interests. It is therefore unclear what additional benefit would be derived from valuing IORPs on a Solvency-II basis as proposed to varying degrees in the options outlined in the consultation paper.

Once again BTPS is grateful for the opportunity to respond to this consultation. We look forward to engaging with EIOPA colleagues and members of the European Commission in the months ahead. Include contents of letter to ensure comments are included

Q1

Q2

Q3

Q4

Q5

Q6

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

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

Q7		
Q8		
Q9		
Q10		
Q11		
Q12		
Q13		
Q14		
Q15		
Q16		
Q17		
Q18		
Q19		
Q20		
Q21		
Q22		
Q23		
Q24		
Q25		
Q26		
Q27		
Q28		

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

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

Q29		
Q30		
Q31		
Q32		
Q33		
Q34		
Q35		
Q36		
Q37		
Q38		
Q39		
Q40		
Q41		
Q42		
Q43		
Q44		
Q45		
Q46		
Q47		
Q48		
Q49		
Q50		
Q51		
Q52		
Q53		
Q54		

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

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

Q55		
Q56		
Q57		
Q58		
Q59		
Q60		
Q61		
Q62		
Q63		
Q64		
Q65		
Q66		
Q67		
Q68		
Q69		
Q70		
Q71		
Q72		
Q73		
Q74		
Q75		
Q76		
Q77		
Q78		
Q79		
Q80		

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

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

Q81		
Q82		
Q83		
Q84		
Q85		
Q86		
Q87		
Q88		
Q89		
Q90		
Q91		
Q92		
Q93		
Q94		
Q95		
Q96		
Q97		
Q98		
Q99		
Q100		
Q101		
Q102		
Q103		
Q104		
Q105		
Q106		

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

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

Q107		
Q108		
Q109		
Q110		
Q111		