Comments Template on EIOPA-CP-11/006 Response to Call for Advice on the review of Directive 2003/41/EC: second consultation		**Deadline 02.01.2012 18:00 CET**
Company name:	BT Pension Scheme Management Ltd	
Disclosure of comments:	EIOPA will make all comments available on its website, except where respondents specifically request that their comments remain confidential. *Please indicate if your comments on this CP should be treated as confidential, by deleting the word **Public** in the column to the left and by inserting the word **Confidential**.*	Public

The question numbers below correspond to Consultation Paper No. 06 (EIOPA-CP-11/006).

Please follow the instructions for filling in the template:

- ⇨ Do **not** change the numbering in column "Question".
- ⇨ Please fill in your comment in the relevant row. If you have no comment on a question, keep the row empty.
- ⇨ There are 96 questions for respondents. Please restrict responses in the row "General comment" only to material which is not covered by these 96 questions.
- ⇨ Our IT tool does not allow processing of comments which do not refer to the specific question numbers below.
  - If your comment refers to multiple questions, please insert your comment at the first relevant question and mention in your comment to which other questions this also applies.
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Question	**Comment**	
General comment	The BT Pension Scheme welcomes this consultation on Solvency II which raises important issues about European pension provision.	

	By way of background, the BT Pension Scheme is the UK's largest funded corporate pension scheme, managing assets worth around £37 billion and responsible for some 330,000 beneficiaries (data as at December 31st 2010) under a defined benefit (DB) structure. The BT Pension Scheme has closed to new members but will continue to play a role in paying benefits to pensioners for at least the next 70 years. It pays these pensions on behalf of the sponsoring employer, BT plc, which undertook the payment commitments as part of its contract with its employees; the sponsor provides a strong covenant which underlies the commitment to pay the contracted benefits. Like other UK defined benefit schemes, the BT Pension Scheme's beneficiaries also enjoy the security provided by a strong regulator in the form of the UK's Pensions Regulator as well as the Pension Protection Fund, which provides a further underpinning for the pensions commitments. The governance of the BT Pension Scheme is typical of UK corporate pension schemes, with a trustee board made up of half representatives of beneficiaries and half representatives of the corporate sponsor, and with an independent chair. The trustee directors feel directly the fiduciary duties of the trustee and note the trustee's duty to act in beneficiaries' best interests. These framing facts form the backdrop to our perspectives on the questions that EIOPA is asking. In particular, we note that the BT Pension Scheme, like most IORPs, is not a competitive organization: the benefits which it provides are simply associated with the employees and former employees of the sponsor. We therefore do not believe that concerns about competition and generating a level playing field are relevant in the context of the BT Pension Scheme and other similar schemes. We clearly acknowledge EIOPA's focus on protecting consumers, and support this as the basis for its approach to appropriate regulation of the insurance and pensions industry across Europe. We know that there have been parties within the financial sector which have missold pensions and other financial services in the past, and we believe that it is necessary to ensure that there is no repeat of such behaviours in the future.	

We played an active part in the discussions at the recent first annual conference held by EIOPA. We noted the comments from the European Commission that an annual report from a DB pension scheme which discussed the performance of the scheme assets over the year did not provide useful information to beneficiaries on the size or security of the pension delivered. We agree that from a consumer perspective the only disclosures from a pension provider which matter are what has changed over the year about the pension to which they are entitled, either now or into the future.

This suggests that there does need to be a different approach to the treatment of defined benefit pension schemes where there is a solvent sponsor, and even of schemes whose sponsor is not solvent or approaching insolvency but where there is some system of guarantee of pensions even should the sponsor fail.

For such schemes, there is no impact year on year from the pension scheme on the pensions which are due to be payable to the beneficiary: should there be any deficit, the sponsor stands behind it, and in extremis the pension protection system stands behind that. Thus, taking EIOPA's appropriate focus on consumer protection it is necessary and appropriate to treat defined benefit schemes with a sponsor covenant, and with a pension protection system, differently from pension arrangements where performance of the scheme does have an impact on the pension payable to beneficiaries.

Furthermore, we welcome the three differences which EIOPA acknowledges in the consultation between IORPs and insurance companies:

1. The social context, and particularly the scope in many pension schemes for beneficiary representation on the governing body. This is an important safeguard and member protection which helps such IORPs to act in member interests, again reducing the need for regulatory intervention to protect beneficiaries.
2. The availability of additional capital from other parties should there be a shortfall. This, at least in terms of the sponsor covenant, is discussed above.

	3. The number of IORPs raises a regulatory challenge. But we would note that some pension schemes are already subject to some significant regulatory oversight and input. Where this is the case we believe again that the need for a strict Solvency II funding approach is reduced because the regulatory checks and balances can apply more nuanced pressures to ensure that beneficiaries' interests are protected. It is in this context that the BT Pension Scheme approaches the current consultation: as a defined benefit pension scheme with a solid sponsor covenant and a pension protection system, with member nominated trustees and firm regulatory oversight, we do not believe that there is any gap in the balance sheet of funding for the pension provisions that we are in place to support. While the aim of the Scheme is to perform such that we will provide fully for all of the pension liabilities which the sponsoring employer has undertaken, in practice there is limited impact year on year from our activities on the pensions which our beneficiaries can expect. As the European Commission has indicated, this is protection of beneficiary benefits is the key aim of EIOPA's work and the central policy aim underlying any application of Solvency II; given this, we believe that Solvency II needs to be applied with intelligence such that it does not apply any additional inappropriate burdens on schemes such as our own. We would also note the unfortunate unintended consequences of this approach in terms of the overall investment climate in Europe. At a time when long-term investment is needed more than ever, particularly into the infrastructure which will help the European economy grow, it would be hugely unfortunate to drive investment into short-term liquid instruments. The caution built into the Solvency II-style approach means that there is a real risk that money is taken from the productive segment of the economy and placed into unproductive investment at just the wrong moment for stabilizing and renewing growth in Europe. We believe that these potential macro-economic impacts need to be built into the now urgently required impact assessment of the current proposals.	

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1.	We believe that the range of options laid out be EIOPA is right. While there have been significant developments to the pensions world in recent times, and to the broader investment environment, we do believe that Option 1, making no change, must remain an option openly considered.	
2.	We cannot identify alternative options beyond those identified.	
3.	We believe that EIOPA has identified accurately the positives and negatives inherent in all three options. We note that EIOPA has not identified very significant benefits of any proposed extension of scope, and notes several limitations on any such extension, in terms of the difficulty of achieving a level playing field. It would seem to us that at present the case for change is unproven, and that an extension in scope should happen only if a fuller impact assessment identifies clear benefits which outweigh the costs.	
4.	We are not aware of any such cases.	
5.	We are yet to be convinced that there are significant barriers to cross-border pension provision arising from the pensions regime, and especially from the definitions within that. Rather, we believe that the main barriers to cross-border provision arise from variations in tax and social security rules. We therefore do not believe that these proposed changes will have significant impacts.	
6.	It seems to us that the concept of ring-fencing of assets in cross-border situations - especially where it is considered possible to strictly ring-fence in times of crisis - runs entirely contrary to the policy intent of encouraging cross-border pension provision. The aim of cross-border provision must be to reduce costs by generating larger pools of assets (we note that we do not regard IORPs as competitive entities, given that pension provisions are tied to employment, so the aim of boosting cross-border provision cannot be to increase cross-border competition); in such circumstances the value must be that there is a single pool of assets with no distinction between the members on the basis of nationality or place of employment. Thus suggesting that there might be a ring-fencing intrusion into this single pool, whether in times of crisis of otherwise, seems to us entirely wrong. We do not believe that ring-fencing in such circumstances should be possible.	

7.	As discussed above in response to Question 6, we do not think that ring-fencing should be pursued as it runs contrary to the policy aim of encouraging cross-border pension provision.	
8.	As discussed above in response to Question 6, we do not think that ring-fencing should be pursued as it runs contrary to the policy aim of encouraging cross-border pension provision.	
9.	We regard privilege rules as highly important. It is vital that the assets which belong to the beneficiaries are not dissipated in any way by the liquidation or other dissolution of an IORP. Member states are best placed to determine how this policy aim should be effected in the specific circumstances of their pensions industry.	
10.	We do not agree. There are numerous differences in terms of national social and labour laws and we do not believe that a uniform supervisory approach would assist in clarifying this - there is a risk of confusion and of a failure of the supervisory standards to match with the social and labour laws. Rather, we believe that it is necessary for member states to develop their own supervisory approaches which match more seamlessly with local social and labour laws.	
11.	We do not believe we have sufficient information to understand what the impact of Option 2 might be. As discussed above in response to Question 10, we have significant concerns that Option 2 might generate significant gaps between a generic supervisory regime and the specific needs of local social and labour laws. We therefore believe that this approach should be avoided.	
12.	We do not support the holistic balance sheet proposal. We believe that the time-frames over which IORPs invest do not lend themselves to this form of snapshot reporting of valuations, and we also fundamentally believe that some of the assets which many IORPs in practice enjoy - in particular, the sponsor covenant and the benefit of pension protection arrangements - are more qualitative and so not captured well by a hard quantitative valuation such as that proposed. In effect, the sponsor covenant and the benefit of the pension protection arrangement together form a balancing item in any overall assessment of the investment position of IORPs which enjoy those significant advantages. The performance of the invested assets is of limited relevance to	

	the near term payment of pensions, as in many cases the pension entitlements are a promise from the sponsoring employer. Thus, the proposed balance sheet can be of only a little information value to beneficiaries - and we are conscious of EIOPA's focus on consumer protection as a core aim for its approach across these proposals, and believe that this focus on consumer protection means that DB schemes with a sponsor covenant and the benefit of pension protection arrangements should need much less intervention than other structures under EIOPA's remit - and it should certainly not be used as a basis for assessing whether funding is adequate. The proposed holistic balance sheet should also not be used as a basis for assessing whether funding is adequate given the long-term nature of IORP investment. As discussed below, we support applying recovery periods (should these be necessary) of 15 or 20 years as these are realistic timeframes for IORPs to consider given their investment time horizons. A snapshot of a current valuation can only be of limited value in that lengthy context. We would also caution against the negative implications of a narrow quantitative understanding of IORP balance sheets for investment in Europe, not least at this time of crisis. One element of investment which the EU needs to stimulate growth is significant new investment in infrastructure. The balance sheet proposal risks squeezing investment into a narrow range of assets with short-term liquidity. This would restrict the ability of pension funds, one of the possible sources of investment into long-term European assets, to invest in infrastructure and provide the long-term investment which the European economy needs.	
13.	This is a difficult question to answer without a clear view as to what market-consistent valuations mean in practice. In general, it seems to us the only possible valuation of assets that have a market value to use the market valuation - though we would note the importance of using modelled valuations when market pricing fails in some way. This is particularly important for long-term assets, such as infrastructure for example, where there is no active market and modeled valuations will always be necessary; there needs to be proper scope within any	

	valuation process to accommodate assets such as this. There are still more complex assets which many defined benefit schemes benefit from. Clearly, with regard to such items as the value of sponsor covenants and pension payment guarantee vehicles there is no available market valuation and so a different and more complex approach is needed if these are to be assessed as assets of the IORP - which we believe they very clearly are, even if they are simply a balancing item in a qualitative assessment of the protection provided to beneficiaries.	
14.	We favour Option 1. We believe that the arguments laid out in the paper are the right ones and are strongly in favour of not applying transfer values to liabilities for all IORPs: essentially, applying such values would imply that schemes should always be funded sufficient to be liquidated, a high hurdle (and an additional economic burden) at times of financial dislocation which would mark a failure to recognise the inter-generational nature of IORP saving and the availability of sponsor covenants and the like. When the whole purpose of IORPs is to spread the cost burden of pension liabilities over time, it seems absurdly inappropriate to require them to be payable in full at any given moment, which is the implication of using a liquidation valuation of the liabilities.	
15.	Yes, we agree that the own credit standing of IORPs should not be taken into account. What is relevant is the credit standing of the sponsor, which does need to feature in the understanding of the sponsor covenant.	
16.	We do not believe that there would be a significant benefit from aligning the two valuations. The cost burden which would be removed by aligning the two would be limited at best, and an alignment of the two valuations would be unhelpful: the aim of the accounting standards is to provide a year-end snapshot of the position of the pension scheme, whereas the supervisory valuation should be based much more on an approach which reflects the ongoing life of the scheme and its funding needs. To use an accounting analogy, the accounting valuation is a sum-of-the-parts approach while the supervisory valuation is a going concern one; as in corporate life, the going concern approach is much more informative unless there is a genuine threat to the ongoing existence of the pension scheme. Confusing the two forms of valuation and the two information requirements would be unhelpful.	

17.	On Article 76(1) and (5) we support the proposals. On Article 76(4) we would strongly favour retaining the concept of prudence. This maintains a focus on professional judgement in valuations. Since valuation must be an art rather than a science over the timeframes on which IORPs operate, we believe that retaining scope for professional judgement is vital, as is retaining the requirement of prudence. On the question of Article 76(3), consistent with our response to question 14, we would favour option 1 as we believe that a move to full cash flow replication is an unnecessary step for IORPs, particularly those with the benefit of sponsor covenants and pension payment guarantee vehicles.	
18.	On the issue of the inclusion of a risk-free rate, consistent with our answers above we would oppose Option 2, which as EIOPA notes fits with the liquidation approach to IORPs that we do not believe is appropriate given the economic cost of requiring a valuation based on the possibility of immediate liquidation of assets held to spread the cost burden of liabilities over long periods of times. We would be content with either Option 1 or 3 but would on the whole favour 3, especially as valuations will necessarily involve professional judgements and so will already include implicit risk margins. On the question of the calculation of the risk margin, again we believe that Option 2 is inappropriate as we do not believe the risk free rate is a relevant number on the time-frames over which IORPs invest, and therefore strongly oppose it. Of the other two options, we favour Option 1, maintaining the risk margin calculation as currently in the IORP directive, which as EIOPA states is the most consistent with asset liability matching, which is the prudent long-term approach of most IORPs.	
19.	We agree that the arguments are well laid out in the consultation document. In our view, future accruals should not be taken into account, not least as the assessment as to their cost would be highly sensitive to the assumptions built into the calculation, meaning little of use in terms of	

	information value would be provided.	
20.	We believe that this approach is only appropriate to the extent that the implementing rules ensure that structures whereby IORP liabilities have in effect been covered either in whole or in part through a contractual relationship with an insurance company or otherwise are not included as ongoing liabilities of the IORP, except to the extent that there is a matching asset reflecting the insurance contract on the other side of the balance sheet. It would be extremely unfortunate, and economically damaging – as well as generating unwarranted consumer concern – if the process of derisking which many defined benefit pension funds have undertaken and are likely to going forwards was not appropriately encompassed in the approach to IORP balance sheets.	
21.	We feel that neither approach is appropriate as both depend too extensively on risk-free rates. We would strongly favour the use of an approach which looks to base the interest rate on expected asset returns - which allows for matching assets to be valued the same as the liabilities - rather than using the risk-free rate, which may value the liabilities more highly than matching assets. We particularly note EIOPA's concern about the potentially pro-cyclical impacts of tying all IORPs to a risk-free rate, particularly in circumstances of market turmoil. We have also seen in recent times quite how badly the market can underestimate the risk-free rate and would be concerned to see further market behaviours tied to such inappropriate estimates. Considering the current turmoil, we are not simply sure what the current risk-free rate available in the European market is.	
22.	We do not agree that the expenses in servicing accrued pension rights always need to be taken into account: in particular, where a sponsor pays these servicing expenses on an ongoing basis, there is no cost burden on the IORP itself and so no need to take account of these costs.	
23.	We are firmly of the view that discretionary benefits should not be included in provisions. Given the discretionary nature of these elements, they cannot be seen as liabilities until a decision is taken that they should be paid. Even if a there has been an historic policy with regard to an individual discretionary decision, such policies can be changed and so the uncertainty and discretion remain. While they remain a matter of discretion, they cannot be a liability and so should not be included in the technical provisions. For similar reasons, we do not believe that it is	

	appropriate to include conditional benefits.	
24.	We are significantly concerned by the complexity issue which EIOPA notes here. While the logic of the proposed approach is right, we do believe that implementation needs to be extremely careful so as not to burden IORPs with costs which are markedly disproportionate to the benefits of marginally greater accuracy in the technical provisions. While member options do impact cash flows, and so need to be modeled in advance, the impact on overall liabilities will general be so marginal as to be largely irrelevant.	
25.	We are not sure that there are significant risk group segments within most IORPs, so are not clear that including this Article would be of value. Certainly, we do not believe that there would be any appropriate segmentation of risks to be made within the BT Pension Scheme. Particularly since such an Article would be duplicative of rules elsewhere, we would recommend that this should not be included.	
26.	As indicated in our response to Question 20, we believe that it is necessary for the benefits of all contractual relationships, whether in the form of an insurance contract or otherwise, must be included in the asset side of the IORP balance sheet. We therefore strongly support Option 2. We do not share EIOPA's view that insurance contracts are of lesser importance to IORPs – though we agree that SPVs certainly are.	
27.	Yes, we agree and support this uncontroversial proposal.	
28.	Yes, we agree and support this uncontroversial proposal, provided that it includes the appropriate level of proportionality.	
29.	Yes, we agree and support this uncontroversial proposal.	
30.	Yes, we believe that such powers are appropriate and in a UK context are already wielded by the Pensions Regulator.	
31.	Yes, we believe that it is necessary and appropriate for EIOPA to have such powers. In particular, we believe that this is needed so that the implementing measures include appropriate flexibility and the necessary levels of proportionality.	

32.	We agree to this proposal only on the understanding that the implementing rules proposed by EIOPA will incorporate appropriate flexibility and proportionality as is necessary to reflect the different natures and scales of IORPs across the EU. We note that pensions are a member state competence and so authority needs to be devolved to the appropriate level.	
33.	We agree with EIOPA that it does not make sense to treat sponsor covenants as reinsurance contracts. This does not reflect the nature of the relationship between sponsors and IORPs as we know it. We also agree with EIOPA that there are multiple forms of sponsor covenant and that all need to be recognised appropriately, whether the sponsor bears the risks of the IORP completely, or does not. This need for appropriate recognition does mean that where the sponsor does bear all the risks of the IORP, its value to the IORP needs to be recognised at an appropriately significant level on the balance sheet of the IORP. As a matter of good practice, we monitor the benefit of our sponsor covenant on an ongoing basis. We thus strongly support EIOPA's conclusion that Option 1 is the appropriate choice, provided that the strength and extent of sponsor covenants is fully valued on balance sheets. As discussed below under Question 41, we believe that the benefit of pension protection arrangements should be recognised as an asset on the balance sheet of those IORPs which enjoy the benefit of such structures.	
34.	While these Articles consider structures for IORPs with which we are not familiar, we see no reason why the proposal is not appropriate.	
35.	Yes, we agree that subordinated loans from employers should be allowed for consideration as own funds.	
36.	Yes. We share EIOPA's very real concerns about the difficulty of applying a single security level across all IORPs. The range of structures and the different promises made to beneficiaries mean that it simply would not be appropriate to apply a single security level. We also agree with the	

	key comment that there is a high value in uniformity in the insurance sector, but that the varying nature of the pension promises made, in terms of benefits and security, across the EU mean that this uniformity simply does not apply to IORPs.	
37.	We believe that 1 year is the only realistic time horizon for such a calculation to limit the administrative costs of the exercise.	
38.	We do not believe that there is a need at all IORPs to apply a solvency capital requirement. In particular, where beneficiaries' interests are safeguarded through the sponsor covenant and pension protection arrangements we believe that an SCR would be an unnecessary further protection.	
39.	We believe that the SCR process, given its complexity and expense, should only be required on a three-yearly basis. We would support the compromise approach laid out in paragraph 10.3.50, that the solvency requirements be carried out on a three-year cycle and that supervisors would be able to identify emerging problems in the intervening time by annual assessments of the technical provisions.	
40.	We do not support a SCR and hence can not support a MCR. Should one be put into place, we believe it is not practical nor appropriate to calculate the MCR on a quarterly basis, and believe it should not be required of IORPs more frequently than annually. We believe a good deal more work is necessary to ensure that the MCR calculation is made relevant to the nature and structure of IORPs and look forward to this being taken forward in detail before the MCR approach is formally adopted.	
41.	Though we do not support the introduction of holistic balance sheets, should they be brought in we would strongly favour Option 1 in relation to pension protection arrangements: that they should be included as an asset in assessing the IORP's balance sheet. We regard the benefit of pension protection arrangements as significant in terms of the protection of consumers and believe that if the balance sheet approach is used this positive benefit would best be recognised through their inclusion as an asset on the balance sheet of those IORPs which enjoy the benefit	

	of such structures.	
42.	We make no comment on the appropriate rules for DC scheme structures.	
43.	We believe that the analysis and approach are appropriate.	
44.	We believe that the analysis and approach are appropriate. In particular, we note that we strongly agree with the proposed longer period for recovery - we believe that 15 years is the appropriate length of time for IORPs. If risk free rates/capital requirements where to be implemented, then recovery periods would need to be increased significantly to ensure that this dramatic step did not have significant pro-cyclical impacts and to allow sponsors to maintain some stability in the level of their financial support to IORPs.	
45.	We would be content to support this extension.	
46.	We believe that this definition is necessary, and we believe that EIOPA has identified the key issues which need to differ between insurance companies and IORPs. In particular, we would note the need for flexibility to respond to the variations between IORPs in different member states. Again, we agree with the EIOPA view that the timeframe for any recovery plan needs to be markedly longer for IORPs.	
47.	Yes, we believe that the prudent person principle is a sufficient basis for IORP investment - indeed we believe that it is the only appropriate basis because we regard it as vital that governance structures of IORPs are sufficiently robust to ensure that beneficiary interests are protected. Given that this must be the case, those governance structures should be empowered to take decisions on beneficiaries' behalf without facing strict rule-based controls on their investment decisions. The principle basis which is proposed hits the right level, we believe. We would note that while we understand and support the philosophy which underlies the localisation principle which EIOPA is proposing should be included in the new Directive - it is clearly right that IORPs be able to access their investments - we are concerned that this standard might be read narrowly in a way which was unhelpful. The aim must be that all assets are available over time, and that there is sufficient availability at any given time, so in our view	

	the localisation principle should apply not to individual assets but to the portfolio as a whole, just as the prior investment principle is stated to be in the context of the portfolio as a whole. Perhaps the wording might be "In addition the localisation of the assets in the portfolio as a whole shall be such as to ensure their availability over time".	
48.	No, we do not believe that member states should be able to impose any additional limitations on investments, other than those arising from such formal international processes such as sanctions.	
49.	We support the proposed differences in provisions for DB and DC pensions.	
50.	We believe that - with the exception of our comments above in response to Question 47 - the analyses of the options is appropriate and full.	
51.	We support retaining the prohibition on borrowing, as long as it is made clear that subordinated loans are acceptable, and that borrowing within investment vehicles is also freely permitted.	
52.	We welcome EIOPA's focus on the overall objective of supervision and on avoiding pro-cyclical behaviour within IORPs. We believe that there should be a general call to limit the pro-cyclical effect of regulation, as any pro-cyclical moves (or the fear of them) hinder the ability of IORPs to take the benefit of their long-term investment horizons and enjoy the premium available for illiquidity, at least within a portion of their portfolios. However, we do not support the mechanistic approach of the equity dampener. First, this assumes that the only possible area of negative impacts from pro-cyclical regulation would be in the area of equity investment; it is just as likely to have a negative impact on infrastructure investing, for example. And second, we believe that supervisors should be expected to exercise their role in relation to avoiding pro-cyclical regulation flexibly and with intelligence, responding to the specific circumstances of the troubled markets at the given time. The equity dampener seems to presume that all moments of market stress are like 2008; future events may be like this, but they may not, and supervisors should be responding to the circumstances they face rather than attempting to address the last crisis.	
53.	We believe that these Articles can usefully be applied to IORPs.	
54.	We believe that these are core elements of differentiation between IORPs and insurers, but we	

	would note further highly significant differences which we believe also need to be actively considered when assessing any application of Solvency II standards to pensions: • the bulk of occupational pensions are provided on a non-profit, non-competitive basis, purely as an element of the wider employment relationship between the social partners. In this context, we do not believe that the EIOPA focus on a level playing field and fair competition is necessary or relevant. • the EIOPA focus on consumer protection is of limited relevance to IORPs which enjoy the benefit of a corporate sponsor and a pension protection scheme, since no matter what the performance of the pension scheme the benefits which the sponsor has promised under its employment contract with staff will be paid. Security is provided not so much by the solvency of the IORP but by the covenant provided by the sponsor, and even should the sponsor default, by the pension protection scheme. • the close involvement of the social partners in the governance of IORPs is also a striking difference with the insurance market: IORP beneficiaries enjoy a good deal of protection and benefit from the good sense of the member-nominated trustees and their equivalents.	
55.	We believe that it may be appropriate to grant supervisory authorities the power to require stress tests, but we would note that these should only be required in practice when the markets are facing significant stresses as otherwise the cost burden of the stress tests is likely to be wholly unwarranted.	
56.	Without knowing the likely nature and scale of any sanctioning powers to be awarded to supervisory authorities, we find it impossible to express a view on whether granting such powers would be warranted or not. We would welcome greater clarity, and believe EIOPA will also need such clarity in order to consider its impact assessment in this regard.	
57.	We agree with EIOPA that there is currently a lack of information in this area, and therefore it is difficult to take a strong view on whether sanctions should be made public. However, in principle transparency on such activities seems more appropriate than sanctions being made in private such that their effect is solely on those individuals or organisations directly affected rather than	

	on the industry as a whole.	
58.	We believe that the home state supervisor should always be involved in any sanctioning decision.	
59.	We believe that the basis stated for supervisory review makes equal sense for IORPs as it does for insurance operations. We would suggest, however, that the level of attention to the different factors may be different: the governance structure and approach being one of the most significant protections for IORP beneficiaries, and (as will be apparent from our wider response) questions as to solvency and adequacy of assets being much less relevant for consumer protection at many IORPs.	
60.	We do not believe that capital add-ons are appropriate. Given the long-term nature of IORP liabilities any deficiencies are better dealt with directly (eg governance enhancements) than through the blunt, short-term instrument of a requirement for more capital.	
61.	Yes, we agree that the material elements should apply equally to IORPs as to insurers, though we would hope that the power outlined in Article 38(2) would only need to apply where the IORP has itself not been of assistance in enabling appropriate oversight of the outsourced service provider.	
62.	We believe that these proposed powers are appropriate.	
63.	We believe that the Solvency II governance elements could easily be read across into the IORP Directive. However, we would note that the high governance standards of the pensions industry generally are a significant advantage over the insurance sector, and offer important protections to beneficiaries. We note that the OECD standards to which EIOPA refers are much more substantial than the Solvency II standards referred to, and note that many pension schemes' governance goes markedly further than the OECD standards. This is one the key aspects of why a quantitative approach to pension protection is less necessary than it is for insurance - governance protections offer significant security.	
64.	We indeed agree that member-nominated trustees are a significant element of the protections offered by pension fund governance. We also agree that remuneration will often be a difference	

	between pension funds and insurers. We would note other important aspects of high quality IORP governance which give beneficiaries additional protection: these are such issues as the need to have independent advisers, the need to have explicit investment principles, and the need to report transparently and accountably to beneficiaries.	
65.	It would represent a significant step backwards if fit and proper standards were applied to IORPs so as to in effect prevent the presence of member-nominated trustees on pension fund boards. We believe that member-nominated trustees are an important element of the protections offered by IORPs to their beneficiaries, by bringing the IORP and its investment processes closer to the needs and wishes of those beneficiaries, and while member-nominated trustees rapidly build their expertise over the time of their presence on IORP boards, they certainly will not usually have the stated fit and proper standards at the moment of appointment. For these reasons, we strongly oppose the application of fit and proper standards to IORP boards.	
66.	Given our opposition to the application of fit and proper standards, as outlined in our response to Question 65, we also oppose these proposals.	
67.	Given our opposition to the application of fit and proper standards, as outlined in our response to Question 65, we oppose supervisory authorities having any such powers.	
68.	We believe that the proposed principles seem appropriate and strike the right balance of fitting risk management requirements proportionately to the needs of the IORP, especially according to its risk sharing nature.	
69.	We believe that the ORSA may offer a preferable alternative route to having an appropriate risk and security analysis of IORPs than the proposed hard quantitative proposals involved in the proposed balance sheet and solvency capital requirement. We believe that such internal models are more likely to be able to take account of the wide variation of pension schemes across Europe than the hard single approach of the balance sheet. We would therefore welcome its being applied to IORPs, with the appropriate caveats around its proportional application, as indicated in EIOPA's comments.	
70.	We agree with the implications of the proposal, that in effect the ORSA would be of only limited	

	relevance to DC structures.	
71.	As indicated above in response to Question 69, we believe that the ORSA should be required and the holistic balance sheet should not.	
72.	We suggest that any whistle-blowing standard is applied with a careful consciousness of the need for proportionality. It should be left in the hands of member state supervisory authorities to determine the applicability of any such standards.	
73.	This proposes an extremely broad scope, which may or may not be appropriate to the nature and scale of the IORP, and the varying nature of IORPs across the EU. We would therefore suggest that the scope of the internal control role needs to be determined by member state supervisory authorities.	
74.	We would be content to see the standards on internal audit carried over to IORPs, subject as EIOPA suggests to very specific proportionality requirements.	
75.	We suggest that any whistle-blowing standard is applied with a careful consciousness of the need for proportionality. It should be left in the hands of member state supervisory authorities to determine the applicability of any such standards.	
76.	We note EIOPA's clear view that the board of the IORP retains responsibility for any decision-making in relation to actuarial issues. We therefore believe that while EIOPA might encourage the use of actuarial advice it is only appropriate to leave the decision-making about how that independent advice is sought and used in the hands of the IORP boards.	
77.	The Solvency II requirements seem an appropriate starting point.	
78.	It is clearly important that the actuarial function provides independent advice; this is much more significant than that the function actually be independent. This means that conflicts need to be managed effectively and transparently. Boards, which need to take the ultimate decisions on these issues, as EIOPA notes, will best be served by seeking independent advice and may be the best arbiters of the relevant standards to ask their actuaries to abide by.	
79.	We believe that the analysis seems appropriate but agree with EIOPA that there is a need for an	

	impact analysis before anything can be finalised in this respect.	
80.	We believe that the requirements can be applied to IORPs just as they can to insurers.	
81.	We are not convinced that the burden imposed by a standardised form of approach to outsourcing, particularly, as this burden would be suffered by all IORPs, is warranted by the desire to encourage cross-border activity, which would benefit only a few IORPs. We suggest an impact assessment is needed before this proposal is taken forwards.	
82.	We believe that the elements which EIOPA has identified the relevant elements necessary to protect the interests of beneficiaries, in the standards that it outlines in its proposed response.	
83.	We believe a complete impact assessment is necessary before taking forwards the proposals on depositaries.	
84.	We believe that a more complete impact assessment is required before it is possible to express a view on this issue.	
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86.	We believe that a more complete impact assessment is required before it is possible to express a view on this issue.	
87.	Yes, we agree that these minimum oversight functions are appropriate.	
88.	We believe that a more complete impact assessment is require before it is possible to express a view on this issue.	
89.	Without the specific details of what communications might be required to be made to supervisors, it is impossible to take a view on whether the proposed standards are appropriate. The outline proposed does however seem appropriate provided that the requirements are applied proportionately and that supervisors will only be able to intervene when they have a reasonable basis to suspect there is an issue.	
90.	We would suggest that convergence in certain areas, rather than across all areas, is the right approach.	
91.	We are fully supportive of clear communication to the beneficiaries of DB schemes, but it must be recognised that their information needs are significantly different from those of DC schemes. The pension entitlements of the beneficiaries of DB schemes closed to further accruals, or deferred beneficiaries of	

	open schemes, will change year-on-year only to reflect whatever inflation-related uplift they are entitled to. The entitlements of active members of open schemes will alter only according to inflation and any changes in their salary. Otherwise, nothing in the year - particularly nothing in terms of their own contributions or the investment performance of the IORP - will alter their pension entitlement from year to year. Thus the information needs of DB beneficiaries are significantly different from those of DC members. We thus think that it is not appropriate simply to read across DC information requirements to the DB world - that risks confusing beneficiaries rather than assisting their understanding - and we believe that any disclosure requirements for DB members need to be designed specifically to suit the circumstances of the individual scheme.	
92.	Given our firm view that these discussions should apply only to information for DC members and not simply read across to DB schemes (see our response to Question 91), we take no view on these issues.	
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