<table>
<tr><td colspan="2"></td><td>Comments Template on EIOPA-CP-11/006
Response to Call for Advice on the review of Directive 2003/41/EC: second consultation</td><td>Deadline
02.01.2012
18:00 CET</td></tr>
<tr><td>Company name:</td><td colspan="3">Long-Term Practical Perspectives Limited</td></tr>
<tr><td>Disclosure of comments:</td><td colspan="2">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.</td><td>Public</td></tr>
<tr><td></td><td colspan="3">The question numbers below correspond to Consultation Paper No. 06 (EIOPA-CP-11/006).

Please follow the instructions for filling in the template:
⇨ <u>Do not change the numbering</u> in column “Question”.
⇨ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a question, keep the row <u>empty</u>.
⇨ 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.
○ If your comment refers to parts of a question, please indicate this in the comment itself.
Please send the completed template to <u>CP-006@eiopa.europa.eu</u>, <u>in MSWord Format</u>, (our IT tool does not allow processing of any other formats).</td></tr>
<tr><td>Question</td><td colspan="3">Comment</td></tr>
<tr><td>General comment</td><td colspan="2"></td><td></td></tr>
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96.	**Do stakeholders agree with the impact assessment of the EIOPA proposals?** In assessing the likely impact on UK defined benefit pensions, it is important to understand that by far the greatest part of the total past service liabilities already accrued by fund members are linked to an inflation index (whether retail prices RPI or consumer prices CPI), usually modified (whether by scheme rules or by legislation prevailing when liabilities were accrued) by a limit of 5% per annum and a floor of 0%.	

	The total value of such inflation protected liabilities is some four or five times greater than the total sterling index linked bond and swap market. An "insurance approach" of any kind to committed index-linked pension liabilities would put such index linked assets at an even greater premium than currently. This makes the estimation of the impact of such an approach highly uncertain, depending on whether or not the resulting regulations allow and incentivise most UK employers to maintain sufficient covenant strength to support existing liabilities in a manner broadly consistent with the existing investment style in the UK pensions industry. In other words, pressure to strengthen funding standards would need to be concentrated in practice on only those employers with the weakest covenants, or on those who wilfully weaken an existing covenant for shareholder gain (e.g. by selling out to highly- leveraged takeover bids.) If, however, the EU fails to allow and incentivise the majority of UK employers to continue funding UK index-linked pensions in a manner broadly consistent with existing investment strategies, the cost of matching assets is likely to escalate wildly. Given the severe undersupply, large financial buffers would then be needed by all those employers left behind in the race to acquire matching assets. In such circumstances, it becomes simply impossible to estimate how extravagantly expensive an ill-considered solvency standard might be for UK pension schemes.	