

Please reply to:

Philip Broadley
Chairman, The Hundred Group Pensions Committee
c/o Old Mutual plc, Old Mutual Place
2 Lambeth Hill, London, EC4V 4GG

Tel No: 020 7002 7290
Fax No: 020 7002 7231
E-mail: philip.broadley@omg.co.uk



The Hundred Group
of Finance Directors

12 November 2012

bill.galvin@thepensionsregulator.gsi.gov.uk

Mr Bill Galvin
Chief Executive
The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

Dear Bill,

EIOPA QIS on IORPs

As the Pensions Regulator is the regulatory body responsible for responding to the EIOPA QIS, I am writing to you to express the Hundred Group's grave concerns with the timescale proposed for the draft IORP II directive and with the EIOPA QIS.

First, it now seems highly likely that the timescale for the introduction of Solvency II for insurance companies will be pushed back yet again. It seems surprising that there should be such a headlong rush to apply Solvency II to pensions at a time when the brake is being applied to the same regime for insurance companies.

I am aware that EIOPA has also expressed concerns about the proposed timescale for the IORP II directive and has indicated that further work and further QISs are needed to inform the review, but that the Commission appears committed to publishing its proposals for a revised IORP directive in summer 2013. It appears impossible that the detailed impact assessments necessary can be carried out in time to inform the draft IORP II directive if this timescale is adhered to.

I hope therefore that, when the Pensions Regulator is responding to the QIS, it will take the opportunity to emphasise to EIOPA the need for further work to be undertaken before any proposals can be released. In particular, further work is needed both on the methodology for the sponsor covenant and on the supervisory actions that will be associated with the holistic balance sheet in addition to research on the wider macroeconomic consequences of introducing a Solvency II-style regime to pensions.

Second, I have considerable concerns with the way in which the current QIS is being conducted. Overall, I am grateful to the Pensions Regulator for taking on the responsibility of responding on behalf of UK pension scenes, and for not requiring individual schemes to provide data or calculations themselves. I am sure that the Pensions Regulator will do everything within its power to ensure that the results presented to EIOPA are as robust as it can possibly achieve within the constraints imposed by EIOPA and the European Commission. However, I doubt that it is possible to carry out these calculations effectively on

an aggregate basis within the very short timescale available and the Pensions Regulator's results must therefore be viewed with a considerable measure of scepticism.

I note that the Pensions Regulator has issued a questionnaire to larger UK pension schemes to encourage them to participate in the QIS. This has already been received by some of the companies represented on the Hundred Group Pensions Committee and I have arranged for this to be circulated to the Committee as a whole. However, given the very short timescale for responding, it is unlikely that any scheme that had not carried out these calculations already would be able to complete this questionnaire in full by the deadline and therefore it is not clear that it will encourage many additional schemes to submit data.

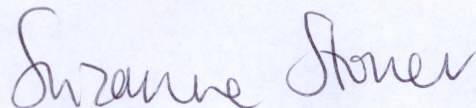
I appreciate that the deadline for completing the questionnaire is driven by EIOPA's overall QIS deadline (which is in turn driven by the Commission's overall timetable), but the fact remains that this means that the results of the QIS will be less credible and less reliable than they might otherwise have been.

It will be important therefore that, when the Pensions Regulator responds to the QIS, it makes clear that the results have been calculated under a very abbreviated timetable without the opportunity to test results properly against results from a large number of individual schemes. The results submitted to EIOPA by the Pensions Regulator must therefore come with strong caveats.

I am sure that the views expressed in this letter will be very familiar to you, but I think that nevertheless it is important to put them on record. I hope that, when the Pensions Regulator responds to the QIS, it will ensure that the concerns felt by UK companies, pension schemes and trade unions are also fed back to EIOPA and will use your influence within EIOPA to ensure that these concerns are then communicated to the Commission.

I would be very happy to discuss any of these points further with you if that would be useful.

Yours sincerely,



Philip Broadley

Chairman

The Hundred Group – Pensions Committee