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Karel van Hulle  
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Directorate-General Internal Market and  
Services  
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Dear Karel,

## **Review of IORPs**

As a body which exists to represent consumers in the UK, the Financial Services Consumer Panel has become increasingly concerned about some of the challenges around the read across of Solvency II to UK occupational pension schemes.

In particular, we are concerned that the possibility of a maximum harmonisation prudential solvency regime, based on Solvency II, runs the risk of being inappropriate for IORPs, as the timescales of the review appear too short to undertake a proper cost benefit analysis. This is unfortunate, as we believe a full and transparent impact assessment is essential to inform policy on such an important issue. We are not convinced that facilitating a cross border market for occupational pension schemes is in itself sufficient justification for detriment which could occur, particularly the closure of long-established and high quality defined benefit pension schemes which have been the basis of good quality pension provision for many consumers in the UK.

We would urge the Commission to undertake a full cost benefit analysis of the holistic balance sheet approach, taking into account the impact of raising the capital requirements on pension schemes, bearing in mind the differences that currently exist, as well as the value of the employer covenant and protection schemes already in place. An example of the latter would be the Pension Protection Fund in the UK. Such a cost benefit analysis should consider the effect on consumers who could face a reduction in their options for retirement provision, or in the worst cases unemployment, if their employer is forced into insolvency by inappropriately draconian measures. It is also conceivable that pressures on the compensation scheme would be so great as to render it unsustainable.

We would also appreciate more insight into the widely held view in the EU that this particular application of Solvency II is intended to protect future generations and would welcome any views you can give on this particular aspect. As I have emphasised, our role is to protect the interests of UK consumers and we would appreciate some reassurance that their existing and future requirements will be taken into account. The development of Solvency II has been lengthy and measured – we hope that the issue of solvency for IORPs will give appropriate consideration of both the downside of the options on the table as well as the potential benefits.

I should be most interested in hearing your views and look forward to your response

Yours sincerely,

Adam Phillips  
*Chair, Financial Services Consumer Panel*