



European Trade Union
Confederation (ETUC)
Confédération européenne
des syndicats (CES)

BUSINESSEUROPE



European Federation
for Retirement Provision

Mr Michel Barnier
European Commissioner for Internal
Market and Services
European Commission
B-1049 Brussels

13 April 2011

Dear Commissioner,

The European Commission recently published its summary of responses to the Green Paper on Pensions. It has announced that this will be followed by a White Paper and a revision of the Directive on Institutions for Occupational Retirement Provision in the 2nd half of 2011.

In this context, BUSINESSEUROPE, ETUC and EFRP wish to express concerns regarding possible plans of the European Commission to propose a new solvency regime for occupational pensions, and particular concerns regarding a reproduction of Solvency II.

The overall objective for pension funds is to provide cost-effective delivery of pensions by companies to their employees. Additional solvency rules, including higher capital requirements, would raise the cost of such provision. This is likely to lead to fewer defined benefit schemes being offered by employers, and the closure of such schemes to new entrants. Ultimately it would put at risk the pension promise and undermine retirement provision for many employees across the EU.

There is no need to establish a level playing field regarding competition between IORPs and insurance schemes offering retirement benefits. IORPs and insurance companies have very different arrangements for providing pensions and do not compete in the same market. Pension funds are associated with a sponsoring employer or group of employers. Therefore, funding an occupational pension through a pension fund is often a well-considered choice made by an employer as part of the benefit plan to its employees. This is a unique characteristic of pension funds. The company voluntarily decides to organise the delivery itself instead of outsourcing it through an insurer or another market operator.

Security of pension funds is needed to provide adequate benefits for employees. However, this does not require additional solvency rules, for a number of reasons:

- The legal employer covenant in the case of pension funds provides security in many member states without own funds regulations.
- Other security mechanisms such as guarantee funds also exist in many of the countries in which occupational pension schemes are prevalent.

- In some pension arrangements, social partners can agree to change the pension deal to rebalance the financial position of the pension fund.

Applying solvency II rules in particular is in fact likely to have no benefits in terms of security for current fund members and would disadvantage potential future beneficiaries.

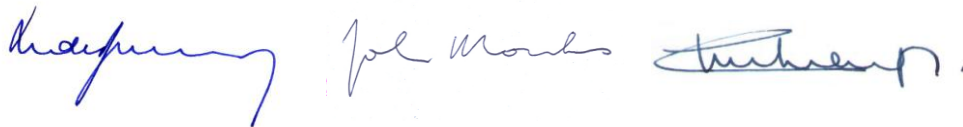
The IORP Directive already provides a high degree of security for members and beneficiaries, through a comprehensive framework. This includes not only quantitative but also qualitative requirements, such as professionally qualified governing bodies, sound administrative procedures, and transparency towards plan members. BUSINESSEUROPE, ETUC and EFRP would welcome as a first step the proper implementation of the existing provisions of the Directive.

The planned revision of the IORP Directive will be a complex process and the proposed timetable is unrealistic. We believe that additional solvency rules, in particular such as those based on the solvency II framework, would not be justified on technical grounds. Therefore, as previously stated, we would also like to see an assessment of the measures implemented in the framework of the IORP directive, before thought is given to any additional measures. We also wish to be involved in any discussions before a decision is taken in this field.

Based on our reading of the responses to the Green Paper, we also doubt the political viability of a proposal to review the solvency rules for pension funds. The aim, in any case, should be to underpin adequate retirement provision for current and future pensioners in a cost-effective way.

Please note that a similar letter has been sent to Commissioner for Employment and Social Affairs, László Andor.

Yours sincerely,



BUSINESSEUROPE

Philippe de Buck
Director General

ETUC

John Monks
General Secretary

EFRP

Chris Verhaegen
Secretary General