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REDINGTON

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**SUBJECT:  PENSIONS INDUSTRY SHOULD WELCOME HOLISTIC APPROACH FROM EIOPA**

**London, 26 January 2012:**

As mentioned in Monday's FTfm article the response to EIOPA's proposal to consider a Solvency II regime for pension funds has been almost universally negative from the industry and its key stakeholders. We do not share these views as it has only focused on one side of the balance sheet and also ignored the proposals to improve **governance** and **risk management** practices.

The discussion has predominantly focused on the impact of using a lower discount rate on the liabilities and the consequent increase in those liabilities by circa £500bn and the need for companies to divert cash to fund the increased deficits. However, this discussion omits to mention that the change in the approach to liabilities is part of the use of a **Holistic Balance Sheet** (HBS). EIOPA proposes that the HBS also includes significant additional assets including some measure of sponsor covenant including the value of a recovery plan and other contingent assets such as recourse to a pension protection scheme such as the UK's PPF. Thus quoting an increase in liabilities without any assessment of the increase in the assets gives a rather unbalanced and biased view of the proposals.

As well as the HBS, the EIOPA proposal incorporates significant enhancements to governance and risk management. These include requirements to identify, quantify and manage risks and then embed the processes into all aspects of their business. This has been one of the key benefits to the insurance industry which has gained from risk based capital regimes such as Solvency II.

"This is one requirement that pension funds should readily adopt if we ever hope to have a sustainable pensions system whether that be DB, DC, public sector pensions or unfunded state schemes," says Robert Gardner, co-CEO at Redington.

"Whilst recognising the practical difficulties of implementing some of the proposals it would be a real shame if the benefits of a holistic approach to pension scheme balance sheets plus enhanced governance and risk management were lost as a result of a one sided debate on the impact on the liabilities without consideration of the full picture."

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**Notes to editors:**

**About Redington**

Redington is an award-winning, independent Investment Consultancy providing strategic advice and asset and liability management expertise to UK and European pension schemes and insurance companies. The company employs 45 people and has over £200bn in assets under consulting with a client base including many of the UK's largest DB pension schemes.

Redington is the market leader in "fusion consulting", combining capital markets and investment banking experience with traditional actuarial analysis and consulting - effectively harnessing the technology of investment banks and asset managers to provide clients with a wide range of solutions. The Company was founded in 2006 by two ex-investment bankers, Dawid Konotey-Ahulu and Robert Gardner, formerly of Merrill Lynch where they spent many years advising on risk management strategies for their clients and, in 2003, devised and implemented the first full LDI risk management transaction by a pension fund, Friends Provident Pension Scheme.

Redington is a huge advocate of social media and web 3.0 and how it can be used to bring about innovation and collaboration in the pensions community. In December 2009 it launched and spun off mallowstreet.com, a targeted community that brings pension fund decision makers and product providers together in a unique way, both on-line and in-person.

[www.redington.co.uk](http://www.redington.co.uk)

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