




**THE NEWSLETTER OF
THE SOCIETY OF
PENSION CONSULTANTS**

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What's being read on the SPC website?

CLICK HERE  for the latest summary of hits on the SPC website, presented to the PR Committee.

Who's writing about SPC?

CLICK HERE  for the latest summary of SPC press coverage, also presented to the SPC PR Committee.

SPC contacts



Jonathan Isted (Capita Hartshead) the Chairman of the SPC Actuarial Committee, has attended a meeting with PPF to further discuss its consultation on a new levy framework. The main focus was on matters relating to the assessment of insolvency risk.

SPC has met DWP officials for an informal discussion of the issues raised in the DWP call for evidence on regulatory differences between occupational and workplace pensions.

The SPC Financial Services Regulation Sub-Committee has met the Money Advice Service (until recently the Consumer Finance Education Body) for a briefing on its publication *Your guide to retirement*.

The guide gives free, unbiased information and advice to people approaching retirement and aims to be a useful addition to the advice and services SPC Members might already provide.

Because major financial decisions often have to be made, entering retirement is a time when people tend to review their money situation. Research by the Money Advice Service confirms a strong demand for all the right information to be available in one place.

For those two years or less from retirement, the guide helps employees manage the transition of moving from work to retirement. It explains the steps and choices they can make to improve their financial security, covering pensions, entitlements, managing money and tax, saving and investing, and the issues of later life.

Over 700 employers in the UK have already given the guide to their employees.

Your guide to retirement is from the Money Advice Service. It is an independent advice organisation, giving clear, unbiased money advice to help everyone understand and manage their money better and make informed choices.

Its advice and information is available online, over the phone and face to face.

The guide is available online at www.moneyadvice.service.org.uk/retirement. Please note that the online version is designed to be read on screen, but not to be printed off.

Copies of *Your guide to retirement* (in boxes of ten) can be obtained by calling 0300 500 5000.

**moneyadvice.service.org.uk
0300 500 5000**

SPC in Scotland

SPC has held a joint meeting with NAPF and PMI. The meeting was on the subject of "Workplace Pensions: Today and Tomorrow – What you need to know".

It explored current pension issues, including the end of the default retirement age, tax changes, auto-enrolment and the 2012 pension changes.

The meeting was held in Edinburgh on March 8th. Over 70 people attended.

The next meeting will be in June, speaker and subject yet to be agreed.

If you would like to be on the mailing list for Scottish meetings, please e-mail Carla Smidt at info@spc.uk.com.

SPC in Yorkshire

SPC Members in Yorkshire met on March 21st, with a session on "Scheme Mergers: a Practical Guide".

There were two speakers: Catherine McKenna, a partner in the Squire Sanders Hammonds pensions team, based in Leeds and Rachel Hunt – a consultant and actuary at Aon Hewitt in Leeds. Ed Spencer, a partner at Barnett Waddingham, opened and closed the meeting.

Catherine outlined the legal complexities of scheme mergers and Rachel covered the actuarial and administrative challenges, which trustees and employers face in merging pension schemes.

There were about 30 present.

If you would like to be on the mailing list for Yorkshire meetings, please e-mail Carla Smidt at info@spc.uk.com.

SPC new member

The latest new Member of SPC is **Muse Advisory**, Wells.

Scottish taxation: pensions technical group

SPC was represented at the second meeting of the pensions technical group dealing with the practical implications of the expected different rates of taxation in England and Wales and in Scotland.


The main points to emerge were:-

- The Scotland Bill has been introduced into Parliament but the financial provisions are just enabling – the detail will be in yet to be published regulations.
- Implications of different rates of tax were considered from two perspectives – relief given at the rate, at which each member is liable to pay income tax, and relief given at a UK wide rate. It appears that both options are being considered.
- On the former option, there was further discussion about the implications for relief at source schemes, including NEST.
- There was also discussion of pensions in payment and PAYE.
- It was noted that issues could arise at the point of retirement or transfer out, if there was concern over whether there had been correct relief on contributions in the run up to these events.
- There was some suggestion that HMRC will not have sole responsibility for determining an individual's residency status – e.g. 'in year changes'. It was observed that any procedures, which rely on individuals telling schemes or providers, will not work.
- There is a possibility that, for relief at source purposes, status at the day before the start of the tax year would be deemed to be status for whole of the year. This has not been decided, however.
- On the latter option, this would help with relief at source but cause issues with net pay arrangements.

HMRC publishes consultation document: Improving the Operation of PAYE – Collecting Real Time Information

HMRC has published a consultation document on Improving the Operation of PAYE: Collecting Real Time Information.


A copy of the consultation document is available [CLICK HERE](#) .

For a copy of our response, please [CLICK HERE](#) .

HMRC has met a group of pension payroll specialists, nominated by SPC, to discuss the specifically pension-related aspects of its proposals. Further contact with this group is expected

SPC responds to draft clauses for the Finance Bill 2011

The Treasury published draft clauses for the Finance Bill 2011 at the end of 2010 and they are available [CLICK HERE](#)  and [CLICK HERE](#) .

We have submitted detailed comments on the relevant parts and these are available [CLICK HERE](#) .


Latest HMRC update on progress on its regulations

HMRC has published a further update on progress on its regulations, as at January 18th.

This is available [CLICK HERE](#) .

SPC responds to PPF consultation: Pension Protection Levy: A New Framework


We have responded to PPF on its consultation document on the Pension Protection Levy: A New Framework.

For a copy of our response, please [CLICK HERE](#) .


We reported the publication of the consultation document in **SPC News no. 1, 2011**.

DWP issues note on GMP equalisation

DWP has issued a brief note on GMP equalisation, as a preliminary to consultation on draft regulations.

For a copy of the note, please [CLICK HERE](#) .

We have discussed the note in a meeting with DWP and PPF officials and as part of a meeting with the Pensions Minister, Steve Webb.

We have also submitted a paper to DWP, supporting our proposal that it use a public sector occupational scheme as a "pathfinder" scheme, to identify practical difficulties in equalising for the effect of unequal GMPs. For a copy of the paper, please [CLICK HERE](#) .

The Pensions Minister has replied that officials are currently considering what practical guidance it is possible to offer ongoing schemes and will take into account the matters we have raised. This work has also included looking at the possibility of a "pathfinder" scheme. He states that, although this approach has some attractions, the level of differences between individual schemes means that it is unlikely to offer sufficiently transferable lessons. This approach is not therefore being pursued any further at this stage.

We have decided that there is nothing to be gained at present by pursuing our proposal, although we do not agree with DWP's view on its practical value.


Pensions Regulator discussion paper: Regulatory Approach to the Defined Contribution Market

The Pensions Regulator has published a discussion paper on the regulatory approach to the defined contribution market. For a copy, please [CLICK HERE](#) .

At the time of preparing this issue of SPC News, we had the discussion paper under consideration.

SPC responds to DWP consultation on Miscellaneous Amendments Regulations


We have responded to DWP's consultation document on draft miscellaneous amendment regulations, issued towards the end of 2010.

For a copy of our response, please [CLICK HERE](#) .

DWP consults on offering a default option for defined contribution automatic enrolment schemes

DWP has published a consultation document on offering a default option for defined contribution automatic enrolment schemes.

The consultation is available [CLICK HERE](#) .

For a copy of our response, please [CLICK HERE](#) .

Pensions Regulator revised guidance on transfer incentives

This article is derived from Mercer Select, Mercer's subscriber service offering news and analysis of UK pension developments on-line and by email. For further information please [CLICK HERE](#) .

This article was correct on December 10th 2010.

On December 9th 2010 the Pensions Regulator published [new guidance](#) on arrangements to incentivise pension scheme members to take transfer values from that scheme, or accept other benefit modifications (such as pension increase conversions). This [finalised guidance](#) follows consultation on draft guidance and replaces 2007 guidance. The Regulator's [response](#) to the consultation has also been published.

The Regulator has relaxed its consultation stance slightly. In the draft guidance, it asserted that trustees should start from the presumption that incentive exercises are not in members' interests; in the final guidance, trustees are advised to start from the presumption that they are "not in most members' interests". The Regulator says that it has "recognised that these transfer exercises can be appropriate and beneficial in some circumstances" - such as:

- where a member's life expectancy is limited;
- where no dependants will be supported long-term by the defined benefit pension;

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Pensions Regulator revised guidance on transfer incentives

- where the member is a sophisticated investor and is specifically looking to balance the risks in a portfolio of retirement benefits;
- where the level of benefit is significantly higher than the PPF cap and, as such, would be cut if the scheme entered PPF.

The Regulator believes that these members will be in the minority, and "very possibly, a small minority". It notes that high quality financial advice (for all) will be key to identifying those members for whom the offer might be beneficial.

The Regulator indicated that trustees and employers should consider the content of their communications to members in the context of the advice process, while "balancing the need to be open and transparent, whilst being clear, fair and not misleading". The Regulator expects the offer to include a clear indication of the value of benefits being given up, and the final guidance again softens the message of the draft guidance by suggesting that this could be illustrated by showing the cost of purchasing equivalent benefits today, either in the employer communication or as part of the advice process. (The draft guidance specified that the offer should include the cost of buying the benefits today.) The Regulator believes that the member should be given at least three months to consider the offer. Where the member chooses to take their own advice, the Regulator does not expect the employer to subsidise that cost.

The final guidance acknowledges that the member's decision will rest on a number of factors, including their overall personal and financial circumstances.

The Regulator is concerned that cash incentives do not lead to sound long term decision-making, and refers to evidence backing its position.

The Regulator has reiterated its view that advisers should not be remunerated on commission or take-up dependent bases.

There is no added clarity around the Regulator's concerns over the use of targeted or selective offers. The final guidance adds that trustees "should be content that members who are excluded from, or choose not to accept, an incentive offer are left in no worse position as a result of the exercise."

The final guidance states that "it does not seek to impose new legislative requirements or legal duties upon trustees or employers", and that the Regulator recognises that the trustees do not have any power to prevent members from accepting an offer. Despite this, the final guidance, like the draft, places expectations upon trustees. The final guidance repeats the Regulator's expectations of trustees:

- Trustees are expected to "engage in the offer process and apply a high level of scrutiny ... to ensure members' interests are protected", and to review the employer's offer communications for accuracy and compliance with the guidance. Trustees are to formally raise any concerns with the employer and, if these are not addressed, they should consider legal advice, alerting the Regulator, and issuing their own communication.
- Although trustees will usually have little or no control over how advisers are chosen, they are expected to "ensure that they are comfortable that the selection, remuneration and broader commercial interests of advisers are aligned with members' interests".
- The Regulator's view is that trustees have a legal obligation to establish adequate internal controls, and that these should ensure that the trustees are alerted to potential incentive offers to members, even where the employer does not make them aware.

Pensions Bill 2011 published

This article is partly derived from Mercer Select, Mercer's subscriber service offering news and analysis of UK pension developments on-line and by email. For further information please [CLICK HERE](#) .

This article was correct on January 13th 2011.

The Pensions Bill was introduced in the House of Lords on January 12th. The provisions in the Bill amend existing legislation in certain areas. The main changes outlined in the draft legislation are as follows:

RPI/CPI changes

The Bill amends the legislation relied on by those private sector schemes, which do not provide statutory rates of indexation or revaluation, as proposed in the [consultation](#) on CPI.

It amends section 51 of the Pensions Act 1995, which governs increases to pensions in payment, so that:

- schemes currently exempt from the statutory rate of pension increase remain exempt, and
- schemes, which in future provide for LPI increases to pensions in payment, determined using the CPI measured over a 12 month reference period selected by the trustees, will also be treated as exempt from the statutory requirement (whether the CPI rule is applied only to pension accrued after the rule comes into force, or in relation to all accrual).

The Bill will also amend section 84 of the Pension Schemes Act 1993, which governs revaluation in deferment, so that the alternative revaluation rate provided for is determined in relation to the 'general increase in prices' rather than RPI.

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Pensions Bill 2011 published

Auto-enrolment changes

The Bill:

- Clarifies and tidies up the employer's auto-enrolment duties, where scheme membership is interrupted by the employer.
- Adds the £7,475 earnings trigger to the auto-enrolment eligibility requirements and clarifies that, once a jobholder has been auto-enrolled, contributions will be payable on earnings over the lower "qualifying earnings" amount, even if the jobholder's earnings subsequently fall below the £7,475 trigger.
- Introduces the option for employers to defer the automatic enrolment date of workers for up to three months, by giving them a notice on, or before or within, a prescribed period (presumably to be specified in regulations) of the employer's staging date or the date the worker starts work or becomes eligible. The notice must state that the employer intends to use a waiting period, provide details of the worker's new enrolment date and regulations may specify that the notice must also contain information about the worker's right to opt-in during the waiting period.
- Restricts the frequency of automatic re-enrolment to no more than once in any 2 year 9 month period (in relation to an employer rather than the jobholder).
- Introduces a mechanism for the earnings trigger and qualifying earnings band limits to be reviewed each year.
- Introduces a certification process for employers with defined contribution schemes/sections – details of the alternative requirements will be prescribed in regulations.
- Amends the transitional period for defined benefit schemes, so that it does not apply automatically and the employer needs to give notice to affected jobholders.
- Extends the power to modify a scheme, to ensure it complies with auto-enrolment conditions, to the managers of a scheme (not just trustees) and restricts schemes from being able to reimburse trustees or managers for certain fines/penalties.

Equalisation of and increase in pensionable age for men and women

The Bill also introduces the changes needed:

- to speed up the increase in women's state pension age, so that it reaches age 65 in 2018, rather than 2020; and
- to increase state pension age to 66 for men and women over the period from March 6th 2019 to March 6th 2020, rather than between May 2024 and 2026, as was provided for under the Pensions Act 2007.

Repayment of surplus to the employer

The Bill amends section 37 of the Pensions Act 1995, to make it clear that a resolution is only required if a scheme has power to repay surplus on an ongoing scheme basis, not in other cases (such as the employer having power to repay surplus on winding up or to make administration payments or compensation payments). The deadline for making a resolution is extended by 5 years to April 6th 2016. The power to make a resolution can be exercised only once after the commencement of the Pensions Act 2011 (even when the power has been exercised before April 6th 2011).

Pension Protection Fund

The Bill amends existing provisions:

- So that PPF, if appropriate, could determine the funding position of a scheme without obtaining an actuarial valuation under section 143 of the Pensions Act 2004.
- To remove the current requirement for an assessment period to last for at least 12 months.
- Certain changes to the process for schemes to apply for reconsideration.

SPC Correspondence

We have corresponded with DWP on the provisions of the Bill relating to RPI/CPI changes.

For a copy, please [CLICK HERE](#) .

DWP has agreed to look again at our comments on revaluation of deferred benefits and we are optimistic of progress on our comments on bulk transfers.

SPC responds to FSA guidance consultation: Assessing Suitability

We submitted a brief response to FSA on its guidance consultation on assessing suitability.


We commented under the following headings:-


Transparency of consultation: A number of our commentators remarked on how easy it would be to overlook that this consultation is available on the FSA website and to miss the opportunity to contribute views on an important subject.

Capacity for loss: We suggested that FSA's intended meaning should have greater emphasis than the footnote on page 3 of the consultation. One could otherwise assume, incorrectly, that the wealthier the customer, the greater their capacity for loss.

Risk of loss of capital: In similar vein, we suggested that greater prominence should be given than in another footnote to the fact that FSA recognises that placing money in cash deposits brings its own risks to the value of capital.


European Commission consultation on UCITS depositary function and manager remuneration

The European Commission has published a consultation paper on the UCITS depositary function and on the UCITS managers' remuneration. For a copy, please [CLICK HERE](#) .

We submitted comments on the material on the depositary function. For a copy, please [CLICK HERE](#) .

SPC responds to Independent Public Service Pensions Commission on call for evidence for final report

We have responded to the Independent Public Service Pensions (Hutton) Commission's call for evidence, in so far as it is relevant to the experience of SPC Members.

For a copy of our response, please [CLICK HERE](#) .

The Commission's final report has now been [published](#).

Commenting on the report, Kevin LeGrand (Buck Consultants), the SPC President, said "Thankfully the report acknowledges that the "race to the bottom" is not sustainable in the long term, and that the right way forward sits somewhere between the current lowest levels of provision and the largely unaffordable final salary model. What happens in the public sector has implications for the private sector. Public sector schemes have in the past provided the benchmark for the private sector to follow; Hutton's recommendations overall should create a sustainable and balanced framework, many of the features of which should once again provide models for the private sector.

Crucially, it is essential for any scheme that costs are contained so that future arrangements remain sustainable, so we support the principle of defined cost limits being proposed. The same principles are essential for the private sector. We hope that recommendations will result in a review of existing legislation covering private sector arrangements, allowing similar review systems to be freely available. This would help encourage employers to feel comfortable with offering schemes once again where not all the risk lies with the member, where that would be appropriate for their employees.

Cost containment requires accurate and consistent valuations of liabilities; Hutton's recommendations in this area are a prerequisite to the success of any reforms."

Annual consultation meeting with the Commercial Secretary to the Treasury

SPC was represented at the annual consultation meeting, which took place on January 11th, between the Commercial Secretary to the Treasury and gilt end-users.

This follows on from our regular presence at Debt Management Office quarterly consultations.

The agenda covered:-

1. Financing Remit for 2010-11


- Review of remit delivery to date
- Market conditions

2. Financing Remit for 2011-12

- Split between conventional and index-linked gilt issuance
- Maturity structure of conventional and index-linked issuance
- Timing, frequency and size of auctions
- Supplementary methods
- Contribution to financing from Treasury bills
- Other market issues

Treasury publishes its response to consultation on removing the requirement to annuitise by age 75

The Treasury has published its response to consultation on removing the requirement to annuitise by age 75.

A copy of the response is available [CLICK HERE](#) .

Treasury call for evidence paper on Early Access to Pensions Saving

At the end of 2010 the Treasury published a call for evidence paper on early access to pensions saving.

A copy of this paper is available [CLICK HERE](#) .

A copy of our response is available [CLICK HERE](#) .

Conference discount for members

SPC Members receive a 10% discount on the 2011 Practitioners' Forum on Annuities & Retirement Income Products.

The event will cover the latest round of regulatory developments to affect the annuities and retirement income products industry and their effect on product design and distribution.

It takes place on June 28th and 29th 2011

To claim the discount please quote VIP code KM6519SPCEM when registering.

For registration and full details please visit:

<http://www.informaglobalevents.com/KM6519SPCEM>.

and the Financial Ombudsman Service

The SPC Financial Services Regulation Sub-Committee continues to give a high priority to further building contacts with the Financial Ombudsman Service. If there are general issues, which you think could usefully be pursued with the Financial Ombudsman Service please, therefore, let us know.

About

SPC is the representative body for the providers of advice and services needed to establish and operate occupational and personal pension schemes and related benefit provision. Our Members include accounting firms, solicitors, life offices, investment houses, investment performance measurers, consultants and actuaries, independent trustees and external pension administrators. Slightly more than half the Members are consultants and actuaries. SPC is the only body to focus on the whole range of pension related functions across the whole range of non-State provision, through such a wide spread of providers of advice and services. We have no remit to represent any particular type of provision.

The overwhelming majority of the 500 largest UK pension funds use the services of one or more of SPC's Members. Many thousands of individuals and smaller funds also do so. SPC's growing membership collectively employ some 15,000 people providing pension-related advice and services.

SPC's fundamental aims are:

- (a) to draw upon the knowledge and experience of Members, so as to contribute to legislation and other general developments affecting pensions and related benefits, and
- (b) to provide Members with services useful to their business.

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