SPC News No. 6, 2012 Issued in September, 2012

THE NEWSLETTER OF THE SOCIETY OF PENSION CONSULTANTS

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SPC Conference 2012

October 9th 2012, Bloomsbury Hotel, London WC1:
Conference programme and booking form now available

This year's SPC Conference will be at the Bloomsbury Hotel, London WC1 on October 9th 2012.

The theme of the conference is "Pension Regulation and Reinvigoration: A Marriage of (In) Convenience?"

The aim of the conference is to make a major SPC contribution to the government's welcome initiative, to reinvigorate pensions. Inevitably, this will bring challenges, in matching the need for employers to have flexibility to offer arrangements to their workforce, which they can afford and which are attractive, and for members and potential members to have the necessary protection around what is often a major financial commitment with long-term consequences.

We are expecting an attendance around 100, as in 2011. The audience will reflect SPC's very diverse advice and service provider membership, but, as in 2011, will go beyond that, to include those responsible for financing and running schemes.

The conference programme and booking form is now available at

www.conferencesandtraining.com/spc-conference and we look forward to seeing you on the day.

We are looking forward to repeating the success of last year's conference, when comments from those attending included:-

- Very interesting and thought provoking conference
- An excellent high level survey. A lot of stimulating ideas.
- A fascinating view of pensions from a different angle
- Excellent speaker sessions, which were very engaging! Thoroughly enjoyable and interesting
- A diverse and balanced selection of views on current issues by well respected people in the industry

The delegate rate is £299 plus VAT.

SPC Dinner 2012

November 7th 2012, Dorchester Hotel, London W1

The SPC Dinner promises to provide excellent food and entertainment and, in keeping with one of SPC's key roles, represents a peerless networking opportunity to meet with fellow industry professionals.

Key information is:

- **Principal Speaker**

  Principal guest and speaker will be Gregg McClymont, MP (The Shadow Pensions Minister)

- **Presentation of the "SPC Journalists of the Year Awards"**

  These awards will recognise one journalist from each of the national press and pensions trade media, who has made an outstanding contribution to pensions journalism in 2012, as voted by SPC Members.

- **Sponsorship**

  This year, we are again offering SPC Members the opportunity to associate themselves with the prestige and success of the Dinner, through sponsorship.

  We would welcome your sponsorship of one or more of the following:

  - The printed list of those attending, available to the 300+ diners on arrival
  - The menu at each place at the Dinner *Sponsorship agreed*
  - The SPC National Pensions Journalist of the Year Award
  - The SPC Pensions Trade Journalist of the Year Award

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SPC Dinner 2012

The sponsorship amount for each is £1,500 (VAT is not chargeable). Please contact John Mortimer as soon as possible to seize these opportunities.

Tickets are available at £175.00 per head and feedback from previous years' Dinners indicates that this is a modest cost, which can be repaid many times over in terms of the useful networking opportunities, which exist to strengthen your business relationships. The price includes pre-dinner cocktails, a five-course meal, half a bottle of wine with dinner, and a liqueur with coffee.

As ever, we are keen to encourage "new blood" at the Dinner and ensure that it continues to offer the broadest possible range of networking opportunities for those attending. To that end, if your organisation has never previously been represented at the Dinner, the person making the booking will benefit from a discounted special price of £150.00, as will one additional guest.

The closing date for applications for tickets is October 10th.

For a booking form CLICK HERE.

SPC White Paper Vision 2020

In July SPC launched its White Paper "Vision 2020", examining the implications of the shift of defined benefit pension fund investment from equities to less volatile investments.

The White Paper has now featured prominently in the national and trade press and has already attracted over 2,000 visits on the SPC website.

For a copy, please CLICK HERE.

SPC On-line poll

Our latest on-line poll question was:

NAPF has issued a consultation document "Telling Employers about DC Pension Charges"

With the Olympics in mind, would you award the proposals Gold, Silver or Bronze?

The voting was:

1.	Gold	4%
2.	Silver	23%
3.	Bronze	73%

What's being read on the SPC website?

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

Who's writing about SPC?

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

New members

The latest new Members of SPC are Mercury Pensions Management Ltd., Marple, Cheshire.

HMRC draft regulations: short service refunds

HMRC has published draft regulations on short service refunds following the ending of defined contribution contracting-out.

The draft regulations are available CLICK HERE.

We had no comments on them.

HMRC responds to QROPS questions

HMRC has responded to questions raised about QROPS at the Pensions Industry Stakeholder Forum meeting held on 1/5/12.

The response is available CLICK HERE.

Scheme Pays and the annual Allowance Charge

We have corresponded with HMRC on Scheme Pays and the annual Allowance Charge.

A copy of the correspondence is available CLICK HERE.

One of the most favoured options emerging for defined benefit schemes to operate Scheme Pays involves the member electing to have his or her Annual Allowance Charge paid by the scheme and then, when he or she retires, the amount of the Charge, plus interest, is deducted from the benefits.

The question, on which we sought clarification, was whether this deferred adjustment may be deducted from the member's tax free cash, or whether, instead, the scheme must commute pension to cover the liability, before calculating the maximum tax free cash.

We have now followed up the original correspondence.

For a copy of our further letter, please CLICK HERE.

HMRC update on pension regulations

HMRC has issued a further update on the state of play on its pension regulations.

For a copy, please CLICK HERE.

SPC responds to the Pensions Regulator consultation on Determinations Panel Procedure

We have responded to the Pensions Regulator's consultation document on its Determinations Panel Procedure.

A copy of our response is available CLICK HERE.

Definition of money purchase benefits

In the light of expected DWP consultation on regulations on the definition of money purchase benefits, following the amended definition introduced in Part 4 of the Pensions Act 2011 (in reaction to the Houldsworth judgment), we wrote to DWP on some of the detailed implications.

For a copy of our letter, please CLICK HERE.

We have now been invited to join discussions with DWP to discuss its planned regulations.

Government publishes response on small pension pots consultation

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 as at July 17th 2012.

- Following the consultation last December the Government published its response, setting out is plans for dealing with small pension pots, on July 17th 2012.
- The Government has reiterated its intention to abolish short service refunds 'at the earliest legislative opportunity', but will consider further whether to allow 'micro pots' (size still to be decided – the response states that views on this varied, but that it was broadly considered that a figure of £200 or less was appropriate, with amounts as low as £50 mentioned) to be refunded, on the basis that transferring them would cost more than they are worth.
- The Government's preferred approach is that small pension savings (maximum limit still to be determined) automatically move to the new employer's scheme when people move jobs. This approach is supported by a majority of individuals according to ABI research and the Government wants to introduce it as soon as practicable.
- Initially it would only apply to private sector automatic enrolment schemes, with defined benefits and legacy pots created before automatic enrolment being out of scope.
- The automatic transfers would be unadvised business (that is, not requiring financial advice) and members would have the right to opt-out of the transfer.
- Further consideration needs to be given to timing and practical challenges, as well as issues of consumer detriment, potential costs to the various parties and how the system might work where individuals have multiple jobs or gaps in employment.
- The Government will work with the pensions industry to explore the scope for making more immediate improvements to the current voluntary transfer framework.
- The Government will also work with the industry to explore the potential of a 'virtual pot' tool, where members would be able to see information on all their pots in one place.

SPC has accepted an invitation to participate in the government's work on small pot transfers.

Pensions Regulator issues statement on financial support directions and insolvency

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 as at July 27th 2012.

On 26 July 2012, the Pensions Regulator issued a statement on financial support directions ('FSDs') and insolvency. It is aimed at the pensions and insolvency industry and lenders and seeks to address concerns, which have arisen since the 2011 Court of Appeal ruling (in the Nortel and Lehman Brothers cases), that FSDs issued during administration have 'super priority' following an insolvency event. Such 'super priority' status ranks the pension liabilities ahead of some of the administrators' expenses and all unsecured creditors. There were concerns that the ruling would:

- Hinder an effective rescue and restructure culture, through which sponsoring employers of defined benefit pension schemes in financial difficulties can survive; and
- Result in banks becoming more reluctant to lend, as their loan has a lower priority than an FSD on insolvency.

The Regulator states that it does not intend to frustrate administrators in the proper performance of their duties and also aims to give some comfort to lenders by setting out its approach. The process in determining whether to issue an FSD can take some time, but the statement confirms that the Regulator will not deliberately wait until after an insolvency event to issue an FSD, so as to take advantage of the higher priority given to the pension scheme liabilities in such circumstances.

Amount of support under an FSD

When an FSD is issued, it does not specify the amount or the type of support to be provided to the scheme and does not create an immediate obligation.

The Regulator considers whether the support offered to the scheme is reasonable. If an agreement cannot be reached, it has the power to issue a contribution notice, which will specify an amount to be paid. In considering whether a proposal for financial support is reasonable in the circumstances where the recipient is insolvent, the Regulator will take into account the following factors:

- If the FSD arises due to circumstances that occurred before the insolvency event, the position under insolvency law had the FSD been issued before the insolvency event (i.e. the scheme's return under an FSD if the trustees were an unsecured creditor)

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Pensions regulator issues statement on financial support directions and insolvency

- The financial circumstances of the recipient
- The interest of directly affected parties, which includes the interests of the company's creditors as a whole
- The return, that the unsecured creditors would receive had the FSD been issued before the insolvency event.

Given these factors, the Regulator stated that it considers it highly unlikely to be reasonable for it to require a level of support which leaves nothing for unsecured creditors or leaves the administrators out of pocket.

The Regulator has confirmed that, in most cases, it would not object to a subordination of the FSD liabilities behind the administrator's 'reasonable remuneration' if a court application is made to this effect. This will be of particular interest to insolvency practitioners.

Further appeals

Although this statement will give some clarity as to its approach, it does not limit the Regulator's discretion in any particular case. It is also subject to an appeal to the Supreme Court, which is due to be heard in May 2013. The outcome of that appeal could yet change the priority of FSDs on insolvency.

FSA and FRC consultation on product projections, transfer value analysis and SMPIs

FSA and the Financial Reporting Council have published a consultation document on product projections, transfers value analysis and Statutory Money Purchase Illustrations.

For a copy please CLICK HERE.

We have so far responded to chapter 2 of the consultation document, on product projections.

For a copy of our response please CLICK HERE.

UK Debt Management Office consultation: super-long and perpetual gilts

The UK Debt Management Office has published a consultation document on super-long and perpetual gilts.

For a copy of the consultation document, please CLICK HERE.

For our response, please CLICK HERE.

FRC consultation paper: pension scheme incentive exercises

The Financial Reporting Council has published a consultation paper on pension scheme incentive exercises and associated changes to the Pensions Technical Actuarial Standard.

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

For a copy of the consultation paper CLICK HERE.

SPC responds to NAPF consultation: defined contribution charging disclosure

We have responded to NAPF on its consultation document on defined contribution charging disclosure.

For a copy of our response, please CLICK HERE.

In general, we welcomed this consultation document and the opportunities which we had to comment during its development.

We consider that the draft Code of Conduct represents a good starting point for developing communication on defined contribution charging.

We also welcomed the recognition in the consultation document that charges are only part of the picture, in seeking to secure good outcomes for members of defined contribution schemes. Low charges will not secure a good outcome if combined with one or more of inadequate contribution levels, inadequate investment returns and unsuccessful decumulation.

We note that an important stimulus to the drawing up of the draft Code of Conduct is a challenge by the Pensions Regulator to develop an approach, which can be used across all defined contribution provision, to enable better comparability of value for money. We agree that the pensions industry is better placed to rise to this challenge than the Regulator. The industry is also better placed to recognise where the Regulator's challenge is unrealistic and to concentrate on developing a code with realistic objectives, avoiding the risk of creating a document, which over reaches itself and thus gives rise to confusion on what is or is not good practice in specific cases or, even worse, is ignored.

This would only increase the likelihood of further regulatory intervention, which would, in the long run, be unlikely to benefit the industry or scheme members.

Code of practice on incentive exercises for pensions

You will have seen references in the press to the publication of a code of good practice on incentive exercises for pensions.

The SPC Council has agreed to support the principles of the code, a copy of which, together with supporting practitioner's notes, is available at www.spc.uk.com/2012/GC1404.pdf.

Copies of both documents are also available on the SPC website.

SPC has now accepted an invitation to participate in the monitoring group exercising continuing stewardship over the code.

About SPC

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.

THE SOCIETY OF PENSION CONSULTANTS

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