



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

contents

PAGE 2 SPC Dinner: November 6th 2013, Dorchester Hotel, London W1

SPC contacts
A round up of to whom SPC has been speaking

PAGE 3 SPC London Evening Meetings
The hand out for the May London evening meeting is available

Who's writing about SPC?

New Member

Lindsay Davies re-elected as SPC Honorary Treasurer

New SPC Council
A new SPC Council took office on May 29th 2013

PAGE 4 Backdating of Lifetime Annuities

HMRC Workshop: Abolition of Defined Benefit Contracting-Out
A report on an HMRC workshop held in May

PAGE 6 Pensions Liberation Fraud
We have written to the Pensions Regulator, expressing continuing concerns over pension liberation fraud

SPC Submission on the Draft Pensions Bill

DWP Consultation: Technical Changes to Auto-Enrolment

European Commission Green Paper: Long Term Financing of the European Economy

SPC Responds to BIS: Kay Review

Directors' Pay: BIS Consultation
We have responded to the Department for Business, Innovation and Skills (BIS) on its further consultation on directors' pay, in the context of the publication of revised draft regulations on 11 March 2013.



SPC Dinner 2013

November 6th 2013, 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**

The principal guest and speaker will be Michael O'Higgins (Chairman of the Pensions Regulator)

➤ **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 2013, 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 all 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

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 £180.00 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.

We are already expecting more Members to be represented than in 2012, so when you book you will be in good company.

As ever, we are keen to encourage "new blood" at the Dinner and to 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 £145.00, as will one additional guest.

The closing date for applications for tickets is **October 9th**.

For a booking form [CLICK HERE](#) .

SPC contacts

- Rosie Kwok, the Chairman of the SPC Administration Committee, represented SPC at a meeting of HMRC's Pension Industry Stakeholder Forum on April 29th.

Topics discussed included an update on HMRC's review of its RPSM guidance; an update on Annual Allowance and Lifetime Allowance reductions; pensions implications of the coming Scottish rate of income tax and Pensions Liberation fraud.

- SPC has had one of its periodic meetings with the Investment Management Association.

Topics discussed included the BIS response to the Kay Review; the European Commission green paper on long-term financing of the European economy; the proposed EU11 Financial Transaction Tax and defined contribution governance and standards.

- The SPC President, Roger Mattingly, and representatives of the Actuarial and Legislation Committees have attended a workshop hosted by the Pensions Regulator to inform its review of its defined benefit funding code and the development of its new statutory objective to have regard to the financial stability of the sponsoring employer.


SPC London Evening Meetings

The handout for the May London evening meeting is available and can be obtained by clicking on the name of the speaker.

Date	Speakers	Subject
16 May 2013	Faisal Aziz (Cognizant Business Solutions)	A Physical hub, A Virtual Hub, or Both, in the Context of Pension Transfers?

The above meeting was kindly hosted by KPMG.

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 **Castiel Winsor Financial Consultants**, Gibraltar and **Hill Dickinson**, Manchester.

Lindsay Davies re-elected as SPC Honorary Treasurer

Council has elected Lindsay Davies, a partner in Hymans Robertson, as SPC Honorary Treasurer for 2013-2014.

New SPC Council

A new SPC Council took office on May 29th 2013.

The membership is:-

COUNCIL REPRESENTATIVE	NAME OF ORGANISATION
Roger Mattingly	(President)
Sir James Hodge	(Chairman)
Robert Birmingham	Xafinity
Terry Blackmore	MNTES Ltd
Duncan Buchanan	Hogan Lovells International LLP
Claire Carey	Sacker & Partners LLP
Michael Chatterton	The Law Debenture Pension Trust Corporation p.l.c.
Lindsay Davies	Hymans Robertson LLP
Matthew de Ferrars	Pinsent Masons LLP
David Fairs	KPMG LLP
Ian Gault	Herbert Smith Freehills LLP
Sanjay Gupta	Towers Watson
Steve Hitchiner	Barnett Waddingham LLP
Kevin LeGrand	Buck Consultants Limited


CONTINUED OVERLEAF


New SPC Council

Ian Long	Aviva
Hugh Nolan	Jardine Lloyd Thompson Benefit Solutions
Paul McGlone	Aon Hewitt
Beverley Morris	Prudential
Mark Shimmons	Deloitte Total Reward and Benefits Limited
Clifford Sims	Squire Sanders (UK) LLP
Edwin Topper	Mercer
Nigel Waterson	NOW: Pensions
Deborah Wilson	PricewaterhouseCoopers LLP
Malcolm Winter	Standard Life Assurance
Natalie WinterFrost	Aberdeen Asset Management Ltd

Backdating of lifetime annuities

Following up the correspondence set out in **SPC News no. 2, 2013**, we have had further contact with HMRC on backdating of lifetime annuities.

HMRC's response to our original letter is available [CLICK HERE](#) .

Our further letter to HMRC is available [CLICK HERE](#) .

HMRC Workshop: Abolition of Defined Benefit Contracting-Out

The SPC Administration Committee was represented at a workshop hosted by HMRC, on May 17th 2013, on the abolition of defined benefit contracting-out

HMRC's main challenge is to close down its defined benefit contracting-out operation without affecting members' rights. The workshop covered what HMRC saw as the key issues to be resolved:-

- Post-abolition tracking of GMPs
- Mandating of the Scheme Contracting-out Number (SCON) via Real Time Information (RTI) submissions
- GMP reconciliation
- Scheme membership reconciliation

HMRC's current thinking is that:-

- 'Open' periods of contracted-out employment on NI records will be automatically closed by HMRC (so no need for schemes to submit individual termination notices).
- GMP statements will be issued to members around two years after abolition (to allow time for reconciliation), showing GMP at 5/4/16 and the scheme holding the GMP. Subsequently, HMRC would not keep track of where GMP was held (it would be difficult for them to do so as there will in future be no SCON. It would be up to members to keep track of where their GMP is held. However, several participants in the workshop considered that tracking by HMRC should continue.
- It might make available to pension schemes an online GMP calculation service (with overnight response).

The workshop viewed an online GMP calculation service as potentially useful, but it would need to allow bulk calculations as well as individual calculations.

- The workshop suggested that GMP statements should go to pension schemes first before being sent to members (so that schemes could check they definitely held the GMP entitlement). HMRC would need to agree a time period to resolve any issues – perhaps two years.

CONTINUED OVERLEAF

CONTINUED FROM PREVIOUS PAGE

HMRC Workshop: Abolition of Defined Benefit Contracting-Out

- Wording of GMP statements to members would need to make it very clear that it was the member's responsibility to keep track of their GMP, if that was the case.
- State pension entitlement notices advise individuals which scheme holds their GMP. If HMRC will not be keeping track of GMP, the wording of these notices needs to be reviewed (it appears that as things currently stand, the State pension notices would show the position as at April 2016, which would be confusing if GMP is subsequently transferred). DWP would need to be involved in any review.
- Engagement with pension schemes would need to begin as early as possible.
- HMRC currently only records a SCON when it receives a termination notice or a member claims their State pension. HMRC needs a SCON to be able to close 'Open' periods of contracted-out employment on NI records. The 'dummy SCON' used to close DC contracting-out records will not work for defined benefit records.
- From April 2013, employers can show SCON on Full Payment Submissions under RTI. The SCON field is currently optional, but HMRC is thinking of making it compulsory from April 2014. This would then enable HMRC to link individuals to schemes and enable them to close open contracting-out periods.

The workshop suggested that employers could quote the wrong SCON, but including it on a Full Payment submission would help in capturing the necessary information.

The workshop also suggested that there needed to be an HMRC campaign to educate employers and payroll providers to put the SCON on Full Payment Submissions now.

- HMRC is considering offering a scheme membership reconciliation service before 2016, outside of the normal scheme cessation service. This would be an addition to the current Accrued GMP Liability Service (AGLS) and the Contracted-out Contributions/Earnings Information Service (COCIS).

The service would produce listings of early leavers and pensioners (they cannot include active members as HMRC do not currently hold SCONs for these).

The service would be available from April 2014 to December 2016.

The workshop asked for clarification of whether the service would be made available on request or automatic – HMRC advised that this would depend on whether administrators would use it. If they did use it, they might have to sign up to looking at the HMRC listings within a set timescale.

The general view was that administrators would find this helpful and would use the service, but would need to convince trustees of the benefit, as reconciliations could not be done free of charge.

- There was also discussion of other reconciliation issues which had not already been covered – in particular 'Apparent Unnotified Terminations' (AUT) and the annual AUT exercises.

In recent years, only restricted AUT exercises have taken place (ie no termination of contracted-out employment recorded but no contracted-out NI contributions paid for two years).

HMRC want to get records up to date as part of closing down defined benefit contracting out, and sought views on whether schemes could cope with a full AUT exercise.

The workshop agreed the importance of reconciling GMPs and membership information, but without more information, it was difficult to say whether schemes could cope with a full AUT exercise. Some schemes may cope adequately as they will have few AUT queries, whereas others may have many.

Other points arising during the workshop were:-

- GMP revaluation

Under current legislation, the change from section 148 revaluation to fixed rate revaluation takes place when contracted-out employment ceases.

The Pensions Bill amends this for active members, who cease contracting-out as a result of abolition. The change will now happen when pensionable service ceases.

CONTINUED OVERLEAF

CONTINUED FROM PREVIOUS PAGE


HMRC Workshop: Abolition of Defined Benefit Contracting-Out

- CEPs

Consideration is being given to allowing CEPs to be paid up to April 2018, when a member with some pre April 2016 service leaves with less than two years' service. This will avoid situations where a pension scheme is unable to extinguish entitlement to contracted out benefit for short periods of contracted out service before April 2016 (eg a member joining a scheme in March 2016).

Pensions Liberation Fraud

We have written to the Pensions Regulator, expressing continuing concerns over pension liberation fraud.

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

SPC submission on the Draft Pensions Bill


SPC made a submission to DWP on the draft Pensions Bill.

This is available [CLICK HERE](#) .

We have followed this up in discussion with DWP on the Pensions Bill itself and will report separately on these discussions.

DWP consultation: Technical changes to Auto-Enrolment

We have responded to DWP's consultation on technical changes to the auto-enrolment requirements. For a copy of our response, please [CLICK HERE](#) .

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

European Commission Green Paper: Long Term Financing of the European Economy

The European Commission has published a green paper on long-term financing of the European economy.

The purpose of the green paper is to initiate a broad debate about how to foster the supply of long-term financing and how to improve and diversify the system of financial intermediation for long-term investment in Europe.


This is available [CLICK HERE](#) .

At the time of preparing this issue of **SPC News**, we were drawing up a response.

SPC responds to BIS: Kay Review

We have responded to the Department for Business, Innovation and Skills (BIS) on its response to the Kay Review

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

The BIS response to Kay is available [CLICK HERE](#) .

Directors' Pay: BIS Consultation

We have responded to the Department for Business, Innovation and Skills (BIS) on its further consultation on directors' pay, in the context of the publication of revised draft regulations on 11 March 2013. We noted that the draft regulations covering pension disclosures had not changed substantively compared to those put out for consultation last June.

CONTINUED OVERLEAF

Directors' Pay: BIS Consultation

In our response to last year's consultation we indicated that we were opposed to the adoption of the "HMRC method" for valuing directors' pension benefits, on two levels:

- In principle; it will make directors' pension disclosures less transparent, rather than more so.
- Some of the detail will be unworkable in practice.

We are disappointed that so far our representations have not been addressed and requested a meeting to explain in more detail why we think that the HMRC method is inappropriate in principle for this purpose and/or to cooperate in making this method as workable as possible in practice, should BIS adopt this approach.

We are emphatically of the view that adopting the HMRC method simply by cross referring to the annual allowance provisions in the Finance Act 2004 will result in many of the difficulties in the operation of the annual allowance regime being imported into the directors' pension disclosure regime.

We also commented on the BIS proposals on reporting defined contributions benefits.

The draft regulations provided that, where a contribution to a defined contribution scheme had been paid, the amount to be disclosed in the table is the cash value of the contribution.

The draft regulations also provided that, where there has not been a contribution, "the additional value achieved in the year calculated using the HMRC method".

"HMRC method" is defined by reference to section 234, Finance Act 2004.

Section 234 is concerned with the determination of pension input periods for defined benefit arrangements. We could not see how this would map over to calculating the "additional value" of a money purchase account. Any additional value in the absence of a contribution would be purely a function of the investment gains/losses and should not be determined by using an arbitrary formulaic approach (which could lead to a negative sum being disclosed in a "bad" year).

Moreover, assuming that the policy intention is that the phrase "additional value" is intended to capture investment gains/losses, we did not understand the rationale for disclosing this in the absence of a contribution but not when there is a contribution. This could lead in a "good" year to a higher sum being reported for a director who, for whatever reason, did not benefit from a contribution, compared to a director invested in the same scheme who did benefit from one.

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:

- 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
- to provide Members with services useful to their business.

THE SOCIETY OF PENSION CONSULTANTS

St Bartholomew House, 92 Fleet Street, London EC4Y 1DG

TELEPHONE: 020 7353 1688 FACSIMILE: 020 7353 9296

EMAIL: john.mortimer@spc.uk.com WEB: <http://www.spc.uk.com>

SPC News is produced by the SPC Secretary and contributors from Mercer

Copyright. Not to be reproduced without permission.

Every effort has been made to ensure the accuracy of this SPC News, but it is supplied on the understanding that SPC will have no liability arising therefrom.