SPP2014

THE ANNUAL REPORT OF THE SOCIETY OF PENSION PROFESSIONALS

Contents

THE SOCIETY OF PENSION PROFESSIONALS

Introduction to SPP

SPP is the representative body for a wide range of providers of advice and services to work-based pension schemes and to their sponsors. SPP Members profile is a key strength and includes accounting firms, solicitors, insurance companies, investment houses, investment performance measurers, consultants and actuaries, independent trustees and external pension administrators. SPP is the only body to focus on the whole range of pension related services across the private pensions sector, and through such a wide spread of providers of advice and services. We do not represent any particular type of provision or any one interest – body or group.

Many thousands of individuals and pension funds use the service of one or more of SPP's Members, including the overwhelming majority of the 500 largest UK pension funds. SPP's membership collectively employs some 15,000 people providing pension-related advice and services.

SPC becomes The Society of Pension Professionals

In 2013 we carried out a survey within SPC's membership, to gain a better understanding of the areas where SPC was seen to be doing well, where it could improve, what new services it might offer and what other changes it might make to improve overall effectiveness.

It was clear from the responses that a significant number of SPC Members considered that the name – The Society of Pension Consultants – did not adequately reflect the full spectrum of SPC's current membership, which is drawn from across the whole range of providers of advice and services to workplace pension schemes.

It was also suggested that this was a barrier to attracting new members.

Following careful deliberation, the SPC Council agreed that this was a valid concern and therefore agreed that SPC should change its name to The Society of Pension Professionals.

SPC therefore became The Society of Pension Professionals on Monday, September 8th.

To coincide with the change of name, we launched a new website, designed to make much easier knowledge sharing within the membership on the wide range of issues and activities, on which SPC is engaged.

This proved to be a very successful step, with activity on the site at around ten times the level seen on the previous site.

We also began SPP Twitter and LinkedIn pages to supplement the communication channels between SPP, its Members and the wider world.

President

Council elected Duncan Buchanan (a Partner in Hogan Lovells) as successor to Roger Mattingly as SPP President, with effect from June 1st.

We are very grateful to Roger Mattingly for his very effective contribution to the work of SPP during his time as President.

Honorary Treasurer

Council elected Sanjay Gupta (Towers Watson) as SPP Honorary Treasurer.

He succeeded Lindsay Davies, for whose stewardship of SPP's finances we are extremely grateful.

Council and Committees

The following Council and Committee meetings took place:

Actuarial	9
Administration	9
Council	6
Defined Contribution	11
Legislation	12
Public Relations	6
Other Standing Committees	11
Other Committees	1

We are very grateful for the time devoted to the work of SPP by all these bodies, both in meetings and outside them, and their commitment makes possible the broad range of activities summarised elsewhere in this report.

The membership of Council and the Committees is listed in Appendix I.

Membership

At December 31st SPP had 90 members.

They are listed in Appendix II, which is available CLICK HERE.

External and Internal Communications

We continued our regular contributions to The Association Forum of Pensions World Magazine and the panel of contributors from the Legislation Committee continued to write Pensions World Tax and Benefits notes.

We contributed articles and comments to a wide range of other publications, backed up by regular face to face contact with journalists.

The SPP website attracted 12,787 visits (7,887 in 2013)

We continued to sponsor the prize for the best performance in the Providing for Retirement paper of the PMI Associateship Examination.

SPP News was produced on a regular basis and was supplemented by the issue of frequent Member updates. The SPP Document Service again operated, as did the SPP Pension Ombudsman's Determination service.

SPP Evening and Breakfast Meetings

A programme of breakfast and evening meetings was provided throughout the winter, spring and autumn, with meetings taking place in London, Manchester and Scotland

The programme of meetings was as follows:-

Month	Speakers	Subject
January	Andrew Wawick – Thompson (Pensions Regulator)	Defined Contribution Governance
February	David Clarke (KPMG)	Assessing the Employer Covenant in the Context of the Pensions Regulator's Funding Consultation
	Clare Bell (DLA Piper)	Hot Developments in Pension Law
March	Glyn Bradley (Mercer)	State Pension Reform and What it Means for Individuals

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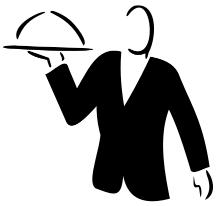
SPP Evening and Breakfast Meetings

April	Mark Bondi (Capita), Mark Evens (Capita) and Keith Webster (CMS Cameron McKenna) Margaret Snowdon (JLT)	The Budget 2014 Incentive Exercises: The Code of Practice Today and Tomorrow
May	Fiona Frobisher (Pensions Regulator)	The Pensions Regulator's Defined Benefit Funding Code
June	Martin Clarke (Pension Protection Fund)	The New PPF Levy Arrangements
September	Barry Mack (Hymans Robertson)	LGPS Reforms: Governance Brings Public and Private Closer
October	Emma Douglas (Legal and General Investment Management) and Tim Jones (NEST) Tom Barton (Pinsent Masons)	Default Funds after the Budget Developments in Defined Contribution
November	Julian Mayo (Charlemagne Capital)	The Emerging Markets Opportunity
December	Jade Murray (Addleshaw Goddard and the Association of Pension Lawyers) and Lucy Tusa (Mercer and SPP)	Scheme Governance, Investment Intermediation and the Law Commission's Report

We are grateful to all the speakers for giving their time to address SPP.

We are also grateful to the following organisations, which hosted meetings:-

Capita Employee Benefits, DLA Piper, Hogan Lovells, Linklaters, Mercer, Nabarro, Pinsent Masons, Towers Watson and Wragge Lawrence Graham & Co.



SPP Dinner and Press Awards

SPP held another successful dinner on November 13th.

The new, and very well received, venue was the Great Hall at Lincoln's Inn.

The principal guest was Lady Barbara Judge (Chair of the Pension Protection Fund), who proposed a toast to SPP. The response was by Duncan Buchanan, the SPP President.

The Dinner marked the presentation of the SPP Pensions Journalists of the Year Awards. The recipient in the national category was Jo Cumbo (Financial Times) and in the trade category Jonathan Stapleton (Professional Pensions).

SPP Roundtables

SPP held two well received Roundtables for Members – in March and September.

The topic in March was "Focus on Key DC Issues" and our facilitators were Michelle Cracknell (Pensions Advisory Service), Tim Jones (NEST) and Morten Nilsson (NOW: Pensions).

September's Roundtable considered "What will Retirement look like from April 2015?" and was facilitated by Michelle Cracknell (Pensions Advisory Service), Professor David Blake (Cass Business School) and Otto Thoresen (ABI).

We are grateful to Wragge Lawrence Graham for hosting the Roundtables.

SPP Contacts

SPP's views were sought by a wide range of government bodies. This often involved face-to-face meetings with Ministers or senior officials.

As examples, we met:

The Treasury: on its informal review of the Pensions Regulator's implementation of its new employers' sustainable growth statutory objective; on the proposed amendment of the IORPs Directive; and on the introduction of a Guidance Guarantee in conjunction with the new pension flexibilities announced in the 2014 Budget.

The UK Debt Management Office: at the annual Treasury Minister meeting with gilt end – investors and at quarterly consultation meetings.

The Pensions Regulator: on defined benefit and defined contribution matters.

HMRC: through the Pensions Industry Stakeholder Forum and on the pensions implications of the Scottish Rate of Income Tax.

The Law Commission: to discuss fiduciary duties of investment intermediaries, in conjunction with its preparation of its report on the subject.

The Departure for Business, Innovation and Skills: on the implementation of the Kay Review, and on the draft EU Directive on shareholder engagement.

PPF: on the bringing in house of member services; the move from D & B to Experian; and the Pensions Regulator's new statutory objective.

DWP: on the ending of contracting-out in 2016; automatic transfers; the pension flexibilities introduced in the 2014 Budget; the Pensions Regulator's new statutory objective; the proposed amendment of the IORPS Directive; and Defined Ambition.

TPAS: on the Guidance Guarantee and pension scams.

Better Workplace Pensions: Further Measures for Savers

We responded to the DWP consultation document on Better Workplace Pensions: Further Measures for Savers.

Much of the command paper, of which the consultation formed part, seemed to assume that requirements on independence applied only to independent governance committees (IGCs) and master trusts. However, parts of the paper implied that the standards were intended to apply to all schemes. This also went beyond independence, to cover the broader activities of governing bodies (e.g. default investment strategies, administration standards and annual reports by the chair).

This would be problematic for many small qualifying defined contribution schemes, where there is a risk of over regulation, since existing legislation and trust law already deal with these matters.

The apparent ambiguity in the command paper needed to be addressed.

There would be even more of a problem when defined contribution schemes were non-qualifying, because the scheme was closed to further contributions. It was not clear what

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Better Workplace Pensions: Further Measures for Savers

was envisaged as the source of the funding for the extra governance required. Some of these schemes may be orphan schemes and others would be small legacy schemes, closed down by employers in the light of regulatory demands. Were these schemes expected to be wound up or, failing that, to meet the new governance standards?

It would seem logical for non-qualifying schemes to be dealt with under the existing FCA rules/Pensions Regulator arrangements, and not to be subject to new additional governance burdens.

There was a serious concern on charges, given the uncertainty on the position after 2017, when the charge cap was due to be reviewed again and transaction costs potentially included. It was disruptive when the rules changed and, in a few cases, employers had to change their qualifying scheme. Having a further review in 2017, after so short a period following the cap being introduced, opened up the risk that employers would find their planning destabilised again, with consequent costs.

Better Workplace Pensions – Putting Savers' Interests First

SPP responded to DWP's command paper and draft regulations on governance and charges.

We welcomed the flexibility allowed within the standards proposed in the consultation and requested confirmation that existing guidance and principles could play a part in meeting them. For example, the work undertaken by the Independent Governance Group.

In similar vein, FCA proposed a proportionate approach to Independent Governance Committees for smaller and less complex workplace personal pension schemes. We suggested that DWP take a similar approach to small trust based arrangements.

The proposed minimum governance standards made no particular reference to member communication and at-retirement choices. This is an emerging priority, given the extra flexibility for members flowing from the "Freedom and Choice" proposals.

Reshaping Pensions for Future Generations (Defined Ambition)

In our response to DWP's proposals we suggested that they could be developed, so as to offer significant flexibility to employers and better outcomes to members. They did, however, have some complex implications and it was therefore very unfortunate that so little time had been allowed for comment and consideration, particularly since this consultation overlapped a second important consultation (on defined contribution charging) and ran virtually concurrently with a third (on re-defining defined contribution).

Naturally, in many parts of the pension industry, the key short to medium-term objective was the successful implementation of automatic enrolment.

This, and necessary immediate attention to initiatives on governance, quality, charges and automatic transfers, would deflect some short-term attention from the possible defined contribution models proposed. To be of greatest value Defined Ambition would, however, need to be developed in co-ordination with other initiatives, such as those, referred to above.

Hybrid Schemes and Auto-Enrolment

In 2013 we wrote to the Pensions Minister, to offer suggestions on two aspects which it would be most helpful to clarify as amending legislation was brought forward.

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Hybrid Schemes and Auto-Enrolment

Confirming that death benefits are to be disregarded for the purpose of establishing whether or not a scheme is a hybrid scheme; and

Confirming that hybrid schemes for members accruing both DB and DC benefits, which did not take advantage of the transitional deferral provisions, still had the benefit of the transitional provisions phasing in contributions in respect of the DC element of members' benefits.

We suggested that the principle behind these points was relatively clear, but set out comments on some of the technical detail of the legislation, where we believed it could benefit from greater clarity.

Regulations to cover the points we raised by SPC were effective from April 1st 2014, with changes to DWP's guidance following.

SPC's role in highlighting these areas was recognised in the Parliamentary debates in the regulations.

Technical Changes to Automatic Enrolment

We welcomed proposals for change from DWP, which we viewed at least in part as recognition that it was not necessary to anticipate non-compliance to the extent to which it had been anticipated.

In particular, any removal of requirements to provide specific items by specific dates generally helped to avoid costs.

It was helpful that the proposals were permissive, so that schemes and employers, which have processes and procedures, designed to allow them to operate under the current requirements, may choose to continue with them.

While the proposed changes were welcome, it was unfortunate that the flexibility, which they allowed, was not available from the outset.

We suggested that there was a lesson to be learnt for the future.

The detailed requirements on auto-enrolment were, in our view, drawn up too heavily influenced by the aim of anticipating as many possibilities of employer non-compliance as possible, rather than of making it as straightforward as possible for the vast majority of employers, who simply wished to meet their responsibilities in as cost effective a way as possible, to do so.

Proposed Revised Automatic Enrolment Trigger and Qualifying Earnings Band

DWP consulted on a proposed revised automatic enrolment trigger and qualifying earnings band.

It invited views on four options:

Option 1 Freeze the trigger at its current level of £10,000

Option 2 Raise the trigger by indexation (CPI or Earnings)

Option 3 Increase the trigger to £10,500 in line with the threshold for paying income tax

Option 4 Use the Pension Commission benchmark replacement rate to determine the trigger

The government later announced that the trigger would be frozen at its current level of £10,000. SPP's preference was for increasing the trigger to £10,500 in line with the threshold for paying income tax.

Re-definition of Defined Contribution

In our response to DWP's consultation we suggested that DWP was using a legislative sledgehammer to crack a nut in response to the Bridge Judgment. We also shared the general view in the pensions industry that, if this must be done, then it would be better to switch the relevant regulations off and then selectively switch them on where appropriate, rather than vice versa. The draft regulations appeared, however, (generally) to have been skilfully drafted to minimise the potential adverse unintended consequences.

However, we had significant concerns about the lack of transitional provisions for underpin benefits. This seemed to us to be a big gap in the regulations.

We had a further general concern about the position of the trustees as the result of this legislation. The draft went well beyond what we would normally expect to see in regulations of this kind and on that basis could, in our view, attract significant criticism and possible challenge (in the courts).

Draft Regulations on Abolition of Contracting Out

DWP published a consultation document on draft regulations on the abolition of contracting-out.

The consultation asked for views on proposed legislative changes, which follow from the abolition of defined benefit contracting-out, which will end when the current two-tiered system of basic and additional State Pension is replaced by a single-tier pension in April 2016.

The draft Occupational Pension Schemes (Power to Amend Schemes to Reflect Abolition of Contracting-out) Regulations 2014 set out the detail of how employers will be able to amend scheme rules without trustee approval, in order to reduce scheme costs to reflect the increase in employer National Insurance costs when contracting-out ends.

The Occupational Pension Schemes (Schemes that were Contracted-out) Regulations 2014 contained provisions which will replace the Occupational Pension Schemes (Contracting-out) Regulations 1996.

Our general comments on the "Power to Amend Schemes" regulations were:-

- It would be helpful to have more flexibility in the regulations, so that the overrides they provide are available before the cessation of contracting out on April 5th 2016.
- The reduction in the employer's future service cost, which the regulations facilitate, will not result in a reduction in contributions unless the scheme funding documents are renegotiated by the employer and trustees.

Reference Scheme Test and Lifetime Allowance Lump Sum

We decided to raise again (in view of the approaching end of contracting-out on a salary related basis) a matter, about which we first wrote to DWP in January, 2008. Our concern was that members of schemes contracted out on the Reference Scheme Test basis are prevented from taking a lifetime allowance (LTA) excess lump sum.

This is because in regulation 20(1)(a) of the 1996 Contracting-out Regulations there is a list of authorised lump sums, which can be paid instead of a pension under a relevant scheme, which is contracted out under the Reference Scheme Test. An LTS excess lump sum is not included in the list and it therefore appears that schemes contracted out under the Reference Scheme Test cannot pay an LTA excess lump sum at all.

DWP initially, and helpfully, accepted that the disallowing of an LTA excess lump sum was not intentional, but, for reasons we never understood, since we could see no public

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Reference Scheme Test and Lifetime Allowance Lump Sum

interest reason for preventing individuals from taking the excess over the LTA as a cash sum, then sought to argue a policy case for the prohibition.

We asked DWP to re-appraise the position.

Disappointingly, DWP indicated that resource pressures currently prevented it from considering the matter and that there were, in any case, no plans to issue further miscellaneous amendments regulations before the 2015 general election.

Pensions Regulator Consultation on Compliance and Enforcement Policy in Relation to Occupational Defined Contribution Trust Based Schemes

We responded to the Pensions Regulator on its consultation document on its compliance and enforcement policy in relation to occupational defined contribution trust-based schemes.

Generally, the policy was in line with our expectations.

We recognised that this policy did not apply to contract based schemes, but it was very important to have as much uniformity of approach across trust and contract based schemes as possible. We were therefore pleased to see the statement that the Pensions Regulator will work with other regulators to ensure that it coordinates its use of its powers and ensures that objectives are aligned. We view this as fundamental.

The policy statement was clear on the Regulator's overall approach to compliance and enforcement, but we suggested that it would be a more rounded document if it contained more material on how the Regulator will respond in cases where practitioners and trustees come to it with concerns, e.g. in terms of timescales.

It would be helpful to have some recognition in the policy of the validity of a "comply or explain" approach to trustees meeting their statutory obligations, in situations where they might not adhere exactly to certain provisions of Code of Practice 13.

On occasions the draft policy referred to small or medium schemes. We suggested that it would be helpful to specify numbers of members, given that the Regulator's perception of what constitutes a small scheme is known to be different to perceptions held in the pensions industry.

Levy Framework for the Second Levy Triennium

The Pension Protection Fund (PPF) published its consultation on the second PPF levy triennium – 2015-16 to 2017-18. The document set out PPF's plan for the next three levy years and disclosed the new, PPF-specific model, which Experian developed for assessing insolvency risk and to produce bespoke insolvency risk scores.

We noted an apparent intention to create a duty of care directly between the adviser or advisers and PPF, with apparently unlimited liability.

Given that there is already a well-established chain of accountability from PPF to the trustees and in turn to their advisers, we were surprised at this intention to create a duty of care directly between advisers and PPF. From a practical point of view, this would imply that PPF would need to agree terms of business with the advisers concerned and there could be difficulties for PPF in identifying specific duties where there are multiple advisers.

2014 Budget

The 2014 Budget included major changes to the treatment of defined contribution pension schemes.

The Chancellor of the Exchequer announced that, from April 2015, the government would change the tax rules to allow people to access their defined contribution pension savings as they wished at the point of retirement, subject to their marginal rate of income tax. The 25% tax free lump sum would continue to be available.

Those who wanted greater control over their finances in the short term would be able to extract all their pension savings in one go, and invest them as they saw fit.

Those who continued to want the security of an annuity would be able to purchase one, either at the point of retirement, or at a later stage.

Those who preferred to keep their savings invested and access them over time would be able to enter drawdown. However, there would be no limits on the amount that someone could withdraw from their drawdown arrangement each year, and there would be no minimum income requirement to satisfy, in order to withdraw from a pension.

The Chancellor also announced the introduction of a new guarantee, that everyone who retired with a defined contribution pension would be offered free and impartial face-to-face guidance on their choices at the point of retirement.

"Freedom and Choice in Pensions"

We responded to The Treasury on its consultation document "Freedom and Choice in Pensions", which followed up the Budget announcement.

We welcomed the government's proposals to introduce more flexibility into the tax rules governing choices at retirement under defined contribution schemes.

The government was committed to bring the proposals into effect from April, 2015. Much work was still needed to successfully achieve this, including, very importantly, communicating them to scheme members and supporting them in using the new flexibility wisely. To prepare properly, members planning to retire in April 2015 would need to know in detail what their options were from October 2014.

This meant that SPP Members involved in supporting schemes and/or members on the flexibility would need to know the finalised tax rules by September 2014 at the very latest.

We strongly urged the government to recognise this in forming its consultation response.

Taxation of Pensions Bill

At the invitation of the Parliamentary committee scrutinising the Taxation of Pensions Bill, which legislated for the new flexibility, we submitted comments on the Bill.

Draft Regulations on the New Flexibilities

HMRC published draft regulations on the new flexibilities, and we submitted a detailed response.

Pension Flexibility: Transitional Issues – Draft Guidance Notes

We commented in detail to HMRC on its draft guidance notes on Pension Flexibility: Transitional Issues Associated with the Pension Changes.

Other Tax Issues

While the dominant tax issue in 2014 was the new pension flexibilities, reported on immediately above we were also active in other areas, some of which are summarised below.

ATP and PPG Cases: SPP hosted a meeting of Members on the implications of the ATP and PPG cases (relating to European Court of Justice judgments on VAT) for employee benefit consultancies and other advisers.

A number of action points to be pursued with HMRC were identified.

Backdating of Lifetime Annuities: There was clarification in HMRC Pension Schemes Newsletter 62 of HMRC's guidance on backdating of lifetime annuities.

We had extended and detailed correspondence with HMRC on this subject and we are pleased that the clarification in Newsletter 62 reflects our proposed approach.

Tax treatment of the cost of employer-financed financial advice for employees in connection with inducement exercises: We wrote to HMRC seeking clarification of whether advice provided on a Pensions Increase Exchange exercise would be treated in the same way as inducement exercises generally and expect to pursue this subject.

Restitution payments made to pension schemes: We had protracted correspondence with HMRC on restitution payments made to pension schemes.

The outcome at the year-end was unsatisfactory, but we intend to pursue the matter.

Individual Protection 2014 – Draft Finance Bill Schedule, Draft Regulations and Draft Guidance Note: We responded to HMRC on its consultation on Individual Protection 2014 – Draft Finance Bill Schedule, Draft Regulations and Draft Guidance note.

Self Assessment and the Annual Allowance: We wrote to HMRC, raising a query on the treatment of members with an Annual Allowance charge for the first time, who had not to date been within self-assessment.

IP14: Pension Debit: We wrote to HMRC, on a difficulty occurring because the legislation in relation to the reduction of individual protection following pension sharing differs from the wording for reduction of primary protection.

Proposal for Amendment to SI2009/1171 (The Authorised Payments Regulations)

We wrote to HMRC, setting out a proposal for amendment to SI2009/1171 (The Authorised Payments Regulations).

We consider that there might be a problem with the scope and operation of regulation 11 of these regulations. The issue arises when a defined benefit scheme transfers to PPF and money purchase AVCs are bulk-transferred to a master trust.

FCA Consultation Paper: Charges in Workplace Personal Pension Schemes

We responded to the FCA consultation paper on Charges in Workplace Personal Pension Schemes.

We noted a number of differences between the approach taken by DWP to charging and that proposed by FCA.

In particular:-

- The FCA proposals did not require individual calculations on a member by member basis.
- FCA proposed an eighteen month initial measurement period, to enable alignment with existing annual processes. This did not form part of DWP proposals.
- The disapplication of the "80% test", in certain cases where additional features were provided by a scheme, which exceed the charge cap.

These were welcome features of the FCA proposals and we considered that the DWP regime should be consistent with them. We wrote separately to DWP in this respect.

Other FCA Consultations

Among our other responses to FCA consultations we commented on the FCA guidance consultation on retail investment advice; its proposed rules for independent governance committees; and its consultation paper on retirement reforms and the Guidance Guarantee.

Execution Only SIPP Investments and Ombudsman Jurisdiction

We wrote to the Pensions Ombudsman and the Financial Ombudsman about scheme member complaints regarding investments in SIPPs, which are accepted on an execution only basis, and about which Ombudsman service has jurisdiction to deal with those complaints.

The 2013 memorandum of understanding between the two Ombudsmen states that the Pensions Ombudsman will deal with matters which predominantly concern the administration and/or management of personal and occupational pensions (after sale or marketing in the case of personal pensions). Whereas the Financial Ombudsman Service will deal with matters predominantly concerning advice in respect of the sale or marketing of individual pension arrangements. This reflects the jurisdiction provided for by legislation.

The memorandum also provides that, where a complaint is received by one Ombudsman service but it appears that, in accordance with the memorandum, it would be better handled by the other, the receiving Ombudsman will seek the consent of the complainant to transfer the complaint.

Based on our reading of the memorandum, complaints against SIPP providers regarding an investment in the SIPP, which has been accepted on an execution only basis, clearly fall within the Pensions Ombudsman's jurisdiction. It is a matter that relates to the administration or management of a personal pension scheme. The complaint does not relate to an advisory activity as the provider of the SIPP has given no advice in relation to the suitability of the investment, nor does it relate to the sale or marketing of the SIPP. If the Financial Ombudsman Service received such a complaint, we therefore would expect the FOS to seek the complainant's consent to transfer the complaint to the Pensions Ombudsman. We became aware, however, from some of our members that the FOS has accepted jurisdiction over these types of complaint.

It is important that both providers and administrators of personal and occupational pension schemes have clarity on which Ombudsman will deal with particular types of complaint. We therefore asked for confirmation of our understanding that:

- such complaints should be dealt with by the Pensions Ombudsman; and
- the FOS will seek to transfer any such future complaints to the Pension Ombudsman.

The matter was unresolved at the year end.

Scope of Exceptions to the Prohibition of Corporate Directors

BIS published a consultation document on the scope of exceptions to the prohibition of corporate directors.

In this consultation document the government indicated that it intended to prohibit corporate directors generally, and allow corporate directors only in some circumstances.

BIS sought views on circumstances where the use of corporate directors could continue, under exceptions to the prohibition. These included trustee companies of pension funds.

We supported this exemption.

DCLG Consultation: Local Government Pension Scheme: Opportunities for Collaboration, Cost Saving and Efficiencies

We responded to the Department for Communities and Local Government on its consultation document entitled Local Government Pension Scheme: Opportunities for Collaboration, Cost Savings and Efficiencies.

The consultation sought views on whether common investment vehicles would allow funds to achieve economy of scale and deliver savings for listed and alternative investments.

We indicated that we would expect savings on fees and governance costs.

Set against that, we consider that the risks referred to in the consultation document are real and in particular more attention could be given, than has been in the consultation document, to the risk of market impact on common investment vehicles, if they are not sufficiently diversified.

Views were also sought on a proposal to keep decisions about asset allocation with the local fund authorities.

Local fund authorities have an objective to maximise, over the long term, net investment returns, taking account of risk, whilst ensuring that investment strategy is consistent with funding policy.

Accordingly, local fund authorities should, we suggested, retain responsibility for deciding high level asset allocation, so as to support different risk preferences. In respect of detailed asset allocation, unless there is evidence of appropriate expertise at the local level on asset allocation, we believe delegation to a third party should be considered.

The consultation document invited comment on the LGPS Investment Regulations. The Regulations have been widely considered anachronistic for some time and we would welcome reform in this area. Working within the existing limits creates additional costs and hinders the implementation of investment strategies, to no obvious benefit.

We would favour replacing the Schedule 1 limits in the Regulations with a general obligation to diversify and to ensure the security, quality, liquidity and profitability of the portfolio as a whole. The Regulations should also be clarified in respect of the use of derivatives contracts.

Banking Reform: Draft Pension Regulations

We responded to the Department for Business, Innovation and Skills on its consultation document on regulations as a consequence of the need to deal with pensions when ring-fencing banks.

Assurance Reporting on Master Trusts

We responded to the Pensions Regulator/ICAEW on their consultation document on assurance reporting on master trusts.

Exposure Draft: SORP – Financial Reports of Pension Schemes

The Pension Research Accountants Group (PRAG) published an exposure draft of a revised pension SORP.

We welcomed the reduction in the content of the draft SORP in relation to guidance on accounting for DC arrangements.

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Exposure Draft: SORP – Financial Reports of Pension Schemes

We also welcomed the approach taken by PRAG in relation to accounting for the first contribution due for auto-enrolled employees. We noted that, as a result of amended legislation, where contributions are paid, say, weekly, the approach would be applicable to a number of payments, not only the first.

Given that the SORP has the effective status of legislation, we were disappointed that it was not accompanied by the equivalent of a formal impact assessment, in particular so that the expected costs attaching to the new requirements on recognition of annuities and the new disclosures on investment risks arising on financial instruments were quantified and disclosed.

We suggested that there should be explicit recognition that, in the context of defined contribution schemes, the value of an annuity only becomes relevant on the failure of an annuity provider, which we would consider to be an extreme and unlikely event.

The exposure draft sought views on the practical issues arising under the proposed treatment of annuities. We suggested that the greatest practical challenge would often be the collection of the historical data needed for valuations. We welcomed the recognition of the need to weigh the costs of valuing an annuity against the benefits of doing so.

Law Commission Review of Fiduciary Duties of Investment Intermediaries

The Law Commission reviewed the law governing the fiduciary duties of investment intermediaries, taking pensions as the example.

This review followed the Kay Report on UK Equity Markets and Long Term Decision making and was commissioned by the Department for Business, Innovation and Skills and DWP.

We submitted a written response and also had a meeting with the Commission.

Code of Practice on Due Diligence for Pension Liberation

The Pension Administration Standards Association (PASA) and others agreed to develop a Code of Practice on Due Diligence for Pension Liberation, to help trustees, employers and administrators take reasonable and consistent steps to protect members and themselves against the threat of pension liberation scams. An industry group consisting of administrators, trustees, schemes, advisers, insurers and the Pension Regulator was set up to write the Code.

The Society agreed to review the Code in draft, with a view to supporting it when published.

The Code was published in 2015 with the Society's support.

Professional Standards APS X1 – Applying Standards to Actuarial Work

We responded to the Institute and Faculty of Actuaries on its exposure draft on proposals for the introduction of a new Actuarial Professional Standard APS X1 – Applying Standards to Actuarial Work.

We generally supported the exposure draft, but one type of work, which our commentators highlighted as giving rise to practical concerns, was global coordination of accounting information in relation to pension schemes, and in particular coordination in the context of United States Generally Accepted Accounting Principles.

It can in practice be difficult to ascertain in these coordination exercises all the local standards, which might apply, particularly when they are not published in English.

Proposal for a Directive Amending the Shareholder Rights Directive 2007/36/EC: SPP Paper

We submitted to the Department for Business, Innovation and Skills a paper on the proposal for a Directive amending the Shareholder Rights Directive 2207/36/EC.

The stated overarching objective of the current proposal to is to contribute to the long-term sustainability of EU companies, to create an attractive environment for shareholders and to enhance cross-border voting by improving the efficiency of the equity investment chain, in order to contribute to growth, jobs creation and EU competitiveness.

It has the following more specific objectives:

- Increase the level and quality of engagement of asset owners and asset managers with their investee companies;
- Create a better link between pay and performance of company directors;
- Enhance transparency and shareholder oversight on related party transactions;
- Ensure reliability and quality of advice of proxy advisers;
- Facilitate transmission of cross-border information (including voting) across the investment chain, in particular through shareholder identification.

We had some concerns arising from the proposals.

The main one related to that which specified that 'The institutional investor shall annually disclose to the public … how the structure of the consideration for the asset management services contributes to the alignment of the investment decisions of the asset manager with the profile and duration of the liabilities of the institutional investor.' We did not consider that this will help to achieve the policy objectives identified in the proposal. Moreover, it might have significant adverse unintended consequences.

We suggested amending the Directive, so that institutional investors only have to comply with this requirement on a 'comply or explain' basis.

Derek Bandey and Brian Coote

With sadness we record the deaths, on September 19th and October 13th respectively, of Derek Bandey and Brian Coote.

Derek Bandey was SPC President from 1978 – 1982 – the only President to serve a double term. He presided over the opening of membership beyond its original consultancy base, to begin the expansion of SPC to be the broadly based body it is today.

Brian Coote was SPC President from 1984 – 1986 during one of the most turbulent periods for pensions, leading up to and including the introduction of personal pensions.

Helen Wilson

With sadness, we record the death on September 26th of Helen Wilson. Helen was a colleague in the SPC office from 1990 until 2004 and will be fondly remembered and greatly missed.

Appendix 1

SPP Council and Committee Membership as at 31st December 2014

Duncan Buchanan (President)	Hogan Lovells International LLP
Sir James Hodge (Chairman)	
Natalie WinterFrost	Aberdeen Asset Management Ltd
Paul McGlone	Aon Hewitt
Ian Long	Aviva
Steve Hitchiner	Barnett Waddingham LLP
Kevin LeGrand	Buck Consultants Limited
Nick Burns	Capita Employee Benefits Ltd
Alexandra Kitching	Deloitte Total Reward and Benefits Limited
Ian Gault	Herbert Smith Freehills LLP
Lindsay Davies	Hymans Robertson LLP
Hugh Nolan	JLT Benefit Solutions Limited
James Riley	KPMG LLP
Edwin Topper	Mercer
Nigel Waterson	NOW: Pension Trustee Ltd.
Roger Mattingly	PAN Trustees Limited
Matthew de Ferrars	Pinsent Masons LLP
Deborah Wilson	PricewaterhouseCoopers LLP
Beverley Morris	Prudential
Claire Carey	Sacker & Partners LLP
Tony Escreet	Scottish Widows
Clifford Sims	Squire Patton Boggs (UK) LLP
Malcolm Winter	Standard Life Assurance
Michael Chatterton	The Law Debenture Pension Trust Corporation plc
Darren Philp	The People's Pension
Sanjay Gupta (Honorary Treasurer)	Towers Watson
Robert Birmingham	Xafinity

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Mike Bartlet	Buck Consultants Limited
Andrew Blain	Towers Watson
Glyn Bradley	Mercer
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William Fitchew	Punter Southall Limited
David Hamilton	JLT Benefit Solutions Limited
Venay Jethwa	Capita Employee Benefits Ltd
James Lawson	Hymans Robertson LLP
Helen Turner	Barnett Waddingham LLP
Zaheer Zahoor	Deloitte Total Reward and Benefits Limited

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Bob Burse	FIL Pensions Management
Colin Clarke	Legal & General Assurance Society
Carol Dick	Squire Patton Boggs (UK) LLP
John Dunkley (Deputy Chairman)	Buck Consultants Limited
Nigel Howarth	Pension Solutions - part of the Equiniti Group
Conrad Jones	Aviva
Rosie Kwok	Punter Southall Limited
Andrew MacDougall	LCP
Sharon Mitchell	JLT Benefit Solutions Limited
Paul Niblett	Mercer
Stuart Reid	Hymans Robertson LLP
Andrew Short	Capita Employee Benefits Ltd
Brian Thorne	Barnett Waddingham LLP
Phil Tilley (Chairman)	Prudential
Deborah Wilson	PricewaterhouseCoopers LLP
Malcolm Winter	Standard Life Assurance

Defined Contribution Committee

Will Aitken	Towers Watson
Ken Anderson	Xafinity
Jennifer Bell	Nabarro LLP
Bob Burse	FIL Pensions Management
Paul Hodges	Clyde & Co LLP
Lynda Martin (Chairman)	Prudential
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Paul McBride	Legal & General Assurance Society
Dina McDonald	Mercer
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Robin Nimmo	Scottish Life
Alison O'Brien	Aviva
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Anthea Whitton	Squire Patton Boggs (UK) LLP
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Malcolm Winter	Standard Life Assurance

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Andrew Bellhouse	Cardano Risk Management BV
Gareth Craft	Linklaters LLP
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Peter Sayers	Xafinity
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About SPP

SPP 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. SPP 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 SPP's Members. Many thousands of individuals and smaller funds also do so. SPP's growing membership collectively employ some 15,000 people providing pension-related advice and services.

SPP'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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