THE ANNUAL REPORT OF THE SOCIETY OF PENSION CONSULTANTS 2011

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Introduction to SPC

SPC is the representative body for a wide range of providers of advice and services to work-based pension schemes and to their sponsors. SPC's 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. SPC 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 services of one or more of SPC's Members, including the overwhelming majority of the 500 largest UK pension funds. SPC's growing membership collectively employs some 15,000 people providing pension-related advice and services.

Pension Principles for Government

SPC submitted to the coalition government and to the Labour Shadow Pensions Minister a paper setting out what we considered should be some high level principles for pensions reform.

It built upon earlier SPC papers, containing recommendations for a new government, following the 2010 general election.

We were pleased that some of the principles behind our earlier recommendations had influenced some of the policies introduced by the coalition government and we aimed to ensure that this paper was at least as influential, as the government sought alternatives to benefit designs classified purely as defined benefit or purely as defined contribution.

GMP Equalisation

In 2010 the then Minister for Pensions made a statement to Parliament in relation to equality in occupational pensions. The Minister said that European law requires that any inequality in scheme rules, resulting from the legislation governing GMPs, should be removed, whether or not a comparator exists. She went on to say that amending legislation would be brought forward to reflect this requirement when Parliamentary time allowed.

The current Minister for Pensions considered the various issues raised by the pensions industry following this announcement and asked officials to take further legal advice to clarify matters. Having received this advice, he remained of the opinion that schemes must equalise for the effect of the GMP rules and, when so doing, no comparator is needed. As a consequence, he decided to take forward the amendment proposed by the previous Minister.

The Minister asked officials to draft guidance on how a scheme might approach equalisation.

It was the intention to consult on the guidance in draft alongside proposed legislation, before the end of the year, but the timetable slipped and consultation was postponed to 2012.

Automatic Enrolment

DWP published a consultation document on draft regulations on automatic enrolment.

The main question in the consultation was whether abolition of the Person A rule for certification under the Scheme Quality test was a sensible approach

The majority, although not overwhelming, view among our commenters was that abolition of the Person A rule was appropriate.

There were reservations because, although the Rule was complicated, the Pension Regulator had provided a workable explanation and its absence would add to costs in some cases where employees would be auto-enrolled as a result of a pay spike.

SPC also had discussions with officials from DWP and the Pensions Regulator, to discuss the inter-play between the legislation prohibiting inducements to opt-out of auto-enrolment and flexible benefits.

We responded to DWP's consultation document on offering a default option for defined contribution automatic enrolment pension schemes.

We considered that the aims of the proposed guidance were clear and welcomed the recognition that the governance and underlying responsibilities differed between work place and occupational pension schemes. It would be a mistake to try to extend quasi trustee duties onto employers and/or providers associated with workplace schemes, particularly where there was no continuing day to day employer and/or adviser involvement with the scheme.

Definition of Money-Purchase – DWP Statement: Bridge Trustees vs Houldsworth

DWP issued a statement in response to the Supreme Court judgment in Bridge Trustees vs Houldsworth.

We asked the Government to pass the legislation referred to in its statement as soon as practicable (perhaps as an addition to the then Pensions Bill).

Until legislation was passed, pension schemes would not know whether benefits (such as internally annuitised AVC accounts) were money purchase or salary related benefits. In extreme cases this could apply to the status of a whole scheme – such as a money purchase scheme, which contracted out on a salary related basis. Applying the Supreme Court's judgment, these benefits would be money purchase and therefore enjoy priority on a winding up – however they would also not count as defined benefit liabilities for the purposes of legislation such as section 75 and scheme specific funding requirements.

It was vital that certainty was achieved by passing the necessary legislation quickly, otherwise affected schemes would not be able to operate correctly (for example how should a section 75 debt be calculated?).

At the same time, we asked the Government to be mindful of the impact of the legislation on individual members – particularly on those where the scheme started winding up after the legislation had taken effect. Currently, an internally annuitised AVC pension would enjoy priority on a winding up (over defined benefits) – this priority would disappear if legislation prescribed such pensions as salary related.

On a broader perspective, we suggested that the Government's reaction to the judgment helped to illustrate why in practice it was going to be very difficult to make progress with developing "risk sharing" pension scheme designs, which balance risks between members and sponsoring employers away from the opposing ends of the spectrum represented by pure money purchase and defined benefits. The guarantees on investment return, which were a feature of the scheme in question, and which the courts had decided were not incompatible with treating the scheme as a money purchase scheme, would, once the Government had legislated, become salary related (defined benefit) and would represent a disincentive to employers to consider anything other than pure money purchase provision.

The government pursued our request for rapid action and tabled clauses for then current Pensions Bill, aiming to implement its statement.

We expected to maintain contact with DWP during 2012 on the detailed regulations needed to underpin the primary legislation.

S75 Employer Debt Regulations

DWP issued a new consultation document on changes to the section 75 employer debt regulations, as they related to multi-employer defined benefits schemes. The changes addressed issues with the existing regulations, which DWP acknowledged could frustrate legitimate restructuring and other corporate activity. They also attempted to address some known technical issues, which made the regulations difficult (and expensive) to comply with in practice.

We were disappointed at the lack of flexibility envisaged, for Section 75 debts to be taken on by non-Section 75 employers.

It was also disappointing that the "active member" definition remained unclear.

Overall, however, we considered the proposals to be easier to use than the previous restructuring arrangements.

A State Pension for the 21st Century

The Government consulted on its proposals for simplifying the State Pension system. It put forward two options:

- to speed up the transition to a two-tier flat-rate pension; or
- more radically, to create a single-tier flat-rate pension above the Pension Credit standard minimum guarantee.

Option 1 was based on an acceleration of the current legislation, which provides for the State Second Pension ("S2P") to gradually become a flat rate benefit:

- A full entitlement to Basic State Pension ("BSP"), as now, to be based on 30 qualifying years; it was proposed that "in the longer term people with 30 years of contributions in both the BSP and S2P could expect to retire on a state pension of around £145 a week".

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A State Pension for the 21st Century

- Contributions for S2P could be paid for all years of working life (from 16 to State Pension Age). Entitlement rules would broadly continue as now.
- The earnings-related component of S2P to be withdrawn over the period from 2013 to 2020 (more rapidly than under the Pensions Act 2007, which would achieve transition to flat rate by the early 2030s).
- From 2020, a flat-rate of S2P (currently £1.60 a week) would be earned for each qualifying year, revalued by earnings until State Pension age.
- Contracting-out to be retained for defined benefit (DB) members, with S2P reduced accordingly.
- BSP, as now, uprated by the "triple guarantee" (that is, the higher of earnings, CPI or 2.5% per year); S2P, as now, uprated by CPI each year.
- Savings Credit to be retained.
- If introduced, it was proposed that this option could be further refined to align the BSP and S2P elements, subject to the flat-rate pension being set at an affordable amount.

Option 2 combined BSP and S2P into a single-tier state pension. For future pensioners:

- A full entitlement of around £140 per week, to be based on 30 qualifying years of contributions or credits; there would be a seven year minimum qualifying rule. There would be no special rules for marriage, bereavement or divorce, and the self-employed could qualify.
- Uprated by the triple guarantee.
- An end to S2P.
- An end to DB contracting out. The single-tier state pension would be reduced to reflect previous contracting-out. The legislative requirement to provide a certain level of scheme benefits would no longer apply.
- An end to the Savings Credit, as most people could be expected to retire on state pensions in excess of that level.

The Government also consulted on the most appropriate mechanism for determining **future changes to State Pension age**. It proposed two possible approaches, or a combination of the two:

- A formula linked to life expectancy and automatically updated to reflect revisions in projected life expectancy; or
- A regular review at pre-determined intervals to weigh up wider concerns and evidence.

Our reading of the consultation document was that it gave a clear message that the government does not view an unchanged State pension system as meeting its principles for reform and providing an effective foundation for saving.

Having said that, we do not view it as a given, that either of the options set out in the consultation document would automatically lead to greater personal responsibility among individuals for meeting their retirement aspirations.

On the question of the extent to which faster flat rating would meet the government's principles for reform and improve savings incentives, we viewed the main factor as a reduction in the impact of means testing. This ought to be an added incentive to save, although it appears that means testing would continue to be a significant, if reducing, factor until around the middle of the current century.

A single tier pension would, on the face of it, lead to means testing diminishing more quickly, although there would still be a substantial transitional period. The faster reduction of the role of means testing ought to add to the incentive to save.

However, a single tier pension would not necessarily be fairer. Capping accrual at 30 years would disadvantage some people in comparison with their position under the current system. Others would pay higher National Insurance contributions (because they would no longer be receiving a contracting out rebate), but would in effect gain nothing from the new system because their accrual under the existing system had already exceeded the new single tier level.

On the impact of ending contracting out, as implied by any single tier model, we considered that the consultation document had identified the principal impacts.

The financial strain on formerly contracted out schemes, no longer receiving contracting out rebates, would be significant and scheme rules could make it very difficult, or impossible, to reduce future benefit accruals to compensate for the loss of the rebate.

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A State Pension for the 21st Century

Unless there was legislation, overriding scheme rules, which permitted the reduction of future accruals directly in response to the loss of the contracting out rebate, schemes could respond by closing to future accrual (if they were still open to it) and/or by increasing employer/employee contributions.

It would be important to determine whether any modification power would be conferred on the employer alone, the trustees alone or on both jointly. Some trustees might be reluctant to reduce future accrual, even if a change to legislation had increased the employer's costs.

It is possible that ending defined benefit contracting out would lead employers to terminate final salary accrual, even if there was a statutory modification power, because it would be difficult to re-design schemes to replicate the benefits and costs of a contracted-out scheme, and many employers already have alternative arrangements, usually defined contribution, for new joiners, which could be extended to existing members of defined benefit schemes.

A further cost to schemes would be that of communicating to members on the impact of the loss of contracting out rebates.

The government sought views on how, if the decision was taken to end contracting out, the process could be best managed, so as to minimise any adverse impacts on employers and individuals.

We suggested that overriding legislation, permitting a reduction in future accrual, to take account of the removal of the contracting out rebate, could be part of the process of managing the impacts.

Another possibility would be to explore the possibility of removing contracting-out restrictions in relation to accrued benefits. The members' rights would be protected by section 67, Pensions Act 1995. The benefits of this approach would include ensuring that the protection rule and the later earnings addition would not apply to schemes, where defined benefit accrual was continuing, as otherwise those would be onerous and unnecessary requirements.

In some cases, schemes might then want to convert contracted-out benefits into ordinary scheme benefits, using the Pension Schemes Act conversion procedure, or amendments to past service benefits, providing simplified, but actuarially equivalent, replacement benefits, as permitted under section 67, Pensions Act 1995.

Another possibility would be to simplify the contracted out deduction (involving an actuarially equivalent deduction of a percentage of the member's State second pension) to align it with the State second pension, rather than to abolish contracting out. This would avoid the complexity and associated record keeping, which would otherwise seem to be needed to off-set contracted out deductions against State pension. It should be kept in mind that increases in the State second pension will gradually outstrip the contracted out deduction, even if it is lower at present.

If contracting out is to be abolished, HMRC's systems would need to be sufficiently robust to support large scale simultaneous demand for GMP reconciliations.

Whatever was decided, employers would have to be provided with at least two years' notice, in order to provide them with adequate time to make adjustments.

On the mechanism, which should be used to determine future increases in State pension age, it is difficult to envisage how in practice a formula alone could be used to determine future increases. Decisions on State pension age are in reality likely to be a function of the state of the public finances and the shape of the workforce, as well as of life expectancy.

It is difficult in any case to envisage a formula which would be robust enough to deal with differing life expectancies within differing population groups. There would also be the question of whether a fall in life expectancy under a formula (for example caused by a combination of unhealthy nutrition and lack of exercise) would result in a reduction in State pension age.

The government noted that there were frequent revisions in life expectancy projections and sought views on how it should respond, while giving individuals sufficient time to prepare.

From the point of view of schemes, it would, we suggested, be important to ensure that changes to State pension age were not introduced in a way which disrupted any arrangements, which they might have, to provide bridging pensions, i.e. additional temporary pensions to compensate for any gap between scheme pension age and the State pension age.

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A State Pension for the 21st Century

From the point of view of individuals, adequate notice of changes to State pension age is essential. Generally speaking, the older one becomes, the more difficult it also becomes to adjust savings patterns to compensate for the delay in receiving the State pension and the longer period of paying National Insurance contributions, which an increase in State pension age implies.

This would suggest an exemption from whatever new State pension age was set for anybody within, say, ten years, of their existing State pension age.

Pensions Regulator Discussion Paper: Enabling Good Member Outcomes in Work-Based Pension Provision

We responded to the Pensions Regulator's discussion paper on enabling good member outcomes in work-based pension provision.

We shared the Pensions Regulator's desire to see good member outcomes. We were, however, concerned that the regulatory aspirations set out in the discussion paper implicitly went beyond what is possible within the current framework of legislation, in terms of effectively seeking to impose fiduciary responsibilities upon employers and providers in various respects, which in practice they might well not be equipped to carry out.

We saw an apparent inconsistency between the aim of the Regulator, which would involve in effect imposing a greater regulatory burden on employers, and that of the government, which had made it clear that it did not wish to add to the burden on employers.

Although the discussion paper was, on the face of it, concerned with the Regulator's strategy for achieving its statutory objectives in respect of defined contribution provision, parts of it could easily be read as though there was an additional objective, which we believe would be inappropriate for the Regulator to espouse, of encouraging smaller employers to use NEST. The market generally is often able to offer solutions for small employers, which might be more suitable than NEST, particularly in the early years of the latter, when it will have a dual charging structure, and particularly bearing in mind the very conservative default investment strategy, which NEST intends to operate.

We recognised the considerable expertise, which had been deployed, in order to give NEST the best chance of meeting the objectives for which it had been set up, but it was still completely untested and we therefore had some unease at the extent to which the Regulator appeared to be relying upon it to remedy shortcomings, which it considered to exist in the defined contribution market.

House of Commons Work and Pensions Select Committee

The House of Commons Work and Pensions Select Committee held an evidence session with the Pensions Minister on the government's pensions reforms.

In advance, it invited submissions on the subjects it intended to cover and we provided a submission.

The submission covered:-

- The impact of the change to using the Consumer Price Index to uprate workplace pensions.
- The plans for auto-enrolment into workplace pensions schemes and the establishment of the National Employment Savings Trust (NEST)

We welcomed the principle that the benchmark for benefit revaluation and indexation should be CPI, rather than RPI, insofar as it offered an opportunity to reduce the costs of benefit provision.

However, the practical application of the policy change was fraught with difficulty. The pension industry was faced with the need to interpret a still open consultation document on the change, which was released some months after the change itself was announced, review scheme documentation and make decisions, probably with legal input, in order to make decisions on how to treat benefits coming into payment from January 1st 2011.

This was a very unreasonable situation.

The lesson we drew from this was that, even where a policy change can be viewed as a liberalisation, there needed to be close linkage between high-level policy setting and consultation on its implementation, which did not happen in this case. We would have liked to have seen the adoption of CPI for statutory rates of revaluation and indexation delayed by one year, as soon as it became apparent that the government did not intend to make overriding changes to scheme rules to facilitate switching from the use of the retail prices index to the consumer prices index.

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House of Commons Work and Pensions Select Committee

We acknowledged the government's plans for auto-enrolment as a legitimate response to the need to increase pension saving among moderate to lower paid employees.

We also recognised that the auto-enrolment of some individuals would give rise to the risk that the net outcome would simply be to substitute pension benefits for State benefits, for which they would otherwise have qualified on a means tested basis. It remained to be seen whether increases in the basic State pension, mooted by the government towards the end of 2010, would reduce or eliminate this risk.

We welcomed the commissioning by the government of a review into making auto-enrolment work and the case for NEST.

We also welcomed the decision by the government to accept the review's principal recommendations. For example:-

The increase in the earnings threshold, at which an individual is automatically enrolled into a workplace pension, and its realignment to sit better with income tax personal allowances and National Insurance thresholds.

The decision that there should be a simpler system, by which employers can certify that their defined contribution pension scheme meets the required contribution levels.

The decision to allow an optional waiting period of up to three months before an employee needed to be automatically enrolled into a workplace pension.

We also accepted the analysis by the review that NEST should go ahead as planned, to support successful implementation of automatic enrolment.

The House of Commons Work and Pensions Committee also launched an inquiry into auto-enrolment into workplace pensions and NEST.

The inquiry addressed:-

- DWP's communication strategy for introducing auto-enrolment and provision of advice and support to employers and employees
- Arrangements for phasing and staging the introduction of auto-enrolment
- The likely impact of auto-enrolment on business, especially small and micro-businesses
- The role of The Pensions Regulator, including in certification of schemes
- Estimated opt-out rates, including the possible impact on NEST if the numbers auto-enrolled are significantly lower than predicted
- NEST's potential market share and the possible effects on other providers
- Whether auto-enrolment is likely to attract new providers and encourage new models of provision
- The likely impact of the limitations placed on NEST, including the contributions cap and the ban on transfers
- NEST's investment strategy
- Possible measures to reduce the proliferation of small pension pots
- How self-employed people, and part-time, temporary, casual and agency staff, will be treated under auto-enrolment; and the equality implications
- The extent to which auto-enrolment is likely to achieve the desired behavioural change in terms of encouraging people to make provision for retirement.

We made a submission to the Select Committee.

PPF Consultation: GMP Equalisation

We responded to PPF's consultation document on the calculation of PPF compensation and FAS assistance in the context of equalisation for schemes contracted out on a GMP basis.

We had three main concerns with the proposals. These were:-

a) Interaction with the DWPs wider plans for equalising the effects of GMPs.

b) Implementing the proposed Statutory Underpin approach in connection with the rules governing PPF benefits.

c) Reliance on Counsel's opinion.

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PPF Consultation: GMP Equalisation

DWP was due to consult soon on the wider issue of equalising the discriminatory effects of Guaranteed Minimum Pensions. We suggested that PPF should defer proceeding with its own proposals, pending DWP's wider review.

We welcomed PPF's proposal for a Statutory Underpin approach to adjusting benefits, as compared to the previously proposed tranching method.

SPC had in the past recommended that PPF sponsor a test case to gain judicial authority for its actions. The consultation document suggested that, whilst a court case would achieve better certainty, it would prove costly and be a lengthy process

We disagreed on both counts. The cost to levy payers of PPF implementing a method, which was subsequently found to be defective (resulting in the need to recalculate and adjust benefits for a second time), would, we suggested, significantly outweigh the costs of a test case.

As for timing, we noted that it was nearly three years since we suggested the idea of a test case. Had PPF commenced proceedings in 2008, the test case would have concluded by 2011 and there would have been no need for PPF to have conducted its subsequent consultations.

PPF was relying instead on counsel's opinion.

PPF Consultation: Pension Protection Levy – A New Framework

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

We agreed that a review period of three years would provide an appropriate balance of stability for levy payers and ability for the PPF to ensure its funding strategy remained on track. However, the proposed changes appeared only to change the nature of volatility rather than remove it.

PPF later published a policy statement on the new levy framework, which would take effect from 2012/13. The proposals set out in its consultation on the framework were largely adopted.

- The levy parameter would be fixed for three years from 2012/13 to 2014/15 under normal circumstances.
- A smoothed funding level would be used to determine underfunding. Assets and liabilities would be smoothed by PPF using its "roll forward mechanism", by rolling forwards (or backwards) the section 179 information submitted before the measurement date, using five year average values, instead of using index values at a single reference date.
- Investment risk would be included in the formula for calculating the risk-based levy, using a form of stress testing as proposed.
- Schemes with liabilities over £1.5 billion would have to provide a scheme specific risk analysis to PPF, and smaller schemes would have the option to do this also.
- As proposed in the consultation, insolvency risk would be measured using the 'smoothed' and 'banded' approach. However, there would be 10 risk bands instead of six originally proposed, to avoid cliff edges between bands and the need for any transitional protection.
- Schemes would still be able to submit deficit reduction certificates, contingent asset certificates and full block transfer certificates, but there would be changes to how they would be taken into account. There would be no requirement to provide information about partial block transfers.

PPF Consultation: Bespoke Investment Risk Analysis for Larger Schemes

PPF issued a consultation document on its draft guidance for carrying out bespoke investment risk analysis for large schemes.

We considered that the guidance was clear and accessible for the intended audience of trustees, scheme representatives and investment advisers.

PPF Consultation: Assumptions to be used for Section 143 and 179 Valuations

PPF published a consultation document on assumptions to be used for section 143 and 179 valuations.

We submitted a response, in which we generally agreed with the assumptions proposed, recognising their intended purpose (section 179 valuations to be quick, easy and consistent and section 134 valuations to be more accurate, but to tend to be on the lower side of buy-out).

Treasury Consultation: Early Access to Pension Saving

We responded to The Treasury on its call for evidence on early access to pension saving. Of the early access options described there, as the call for evidence suggested, the option of early access to the 25% tax free lump sum had the attraction of going with the grain of the current system and protected final retirement income by capping the withdrawal level.

It did, however, raise the question of whether, if one had exercised early access to the tax free lump sum, and was thereby barred from further access at any point in the future, there would be any attraction in saving through a pension scheme rather than through an ISA.

The Treasury concluded, in the light of consultation responses, that it would currently take no action.

Draft Clauses for the Finance Bill 2011

The Treasury published daft clauses for the Finance Bill 2011 at the end of 2010.

We submitted detailed comments on the relevant parts.

HMRC Draft Finance Bill-Related Regulations

We also responded to the draft HMRC Finance Bill (now Finance Act, 2011) – related regulations.

We obtained detailed clarification in a number of areas related to the revised annual and lifetime allowance and this was shared with SPC Members.

Draft Annual Allowance Information Requirements

We responded in detail to HMRC on its draft annual allowance information requirements.

Following this response, we had further correspondence with HMRC, partly directly relating to the correspondence and partly relating to matters not directly connected with it.

SPC Members were kept informed through SPC News.

Primary Protection and the Reduction in the Lifetime Allowance

We corresponded with HMRC on primary protection and the reduction in the lifetime allowance (LTA).

We noted that The Treasury/HMRC confirmed in "Restricting Pensions Tax Relief through Existing Allowances: Response to the Consultation on draft Legislation" that protected cash would be based on 25% of the individual's protected lifetime allowance, where the member elected for fixed protection.

Given the change in the LTA, and its impact on the cash allowance for those who opt for Fixed Protection, we were concerned that regulations did not seem to have a provision for revoking Primary Protection, as they do for Enhanced Protection. Individuals with Primary Protection, but no protected cash, would have their Pension Commencement Lump Sum calculated by reference to the reduced LTA. Therefore some individuals would now prefer Fixed Protection, in view of the impact on the lump sum.

In light of the changed circumstances, which could not have been envisaged when Primary Protection was originally chosen, we asked whether it was HMRC's intention to allow a one-off revocation of Primary Protection in favour of Fixed Protection.

Alternatively, would HMRC contemplate allowing the cash to be calculated by reference to the old protected LTA figure, without disturbing the Primary Protection status?

HMRC confirmed our assumption that, for those with fixed protection, references in Finance Act 2004 to the standard lifetime allowance are read as the greater of the standard lifetime allowance and £1.8m. Therefore, for those with Fixed Protection, in the permitted maximum

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Primary Protection and the Reduction in the Lifetime Allowance

for a Pension Commencement Lump Sum, as set by paragraph 2 of Schedule 29, Finance Act 2004, references to the current standard lifetime allowance would also be the greater of the standard lifetime allowance and £1.8m.

Disappointingly, HMRC also confirmed that those who have existing Primary Protection cannot give this up and therefore are not able to apply for Fixed Protection.

There were also no plans to allow those with Primary Protection, but without a protected lump sum, to be entitled to a lump sum of greater than 25% of the standard lifetime allowance.

Restructuring of RPSM

SPC attended a meeting, hosted by HMRC, to consider the possibilities for restructuring the Registered Pension Schemes Manual.

HMRC Consultation: Improving the Operation of PAYE – Collecting Real Time Information

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

HMRC had a number of meetings with a group of pension payroll specialists, nominated by SPC, to discuss the specifically pension-related aspects of its proposals.

Following consultation, we welcomed the decision to proceed firstly with a phased introduction of real time information, only moving on to consider further development of PAYE once real time information had bedded in and had been evaluated.

HMRC Consultation: Employer Asset Backed Pension Contributions

We responded to HMRC's consultation document on employer asset-backed pension contributions.

Our overall view was that, provided that they did not prove to be penal in practice, and went no further than removing any unintended double tax relief, we did not expect the options discussed by HMRC to have a significant impact on the viability and use of asset-backed structures.

New Approach to Financial Regulation

The Treasury published a consultation document on A New Approach to Financial Regulation: Building a Stronger System.

We commented on the proposals on the new Financial Conduct Authority, since this was the area in which the majority of SPC's members were likely to be affected.

We considered that the strategic and operational objectives and the regulatory principles proposed for the FCA were reasonable in themselves.

Although it was clear from other places in the document, that integrity of the financial system included safeguarding against financial crime, we were somewhat surprised to see no direct reference to this in the operational objectives.

The reference in the objectives to promoting competition highlighted the need to ensure that there was no overlap between the role played by FCA and bodies already responsible for various aspects of competition.

On the proposed new FCA product intervention power, the essence of the power appeared to be to control distribution of products, where deemed appropriate, rather than to control product features.

We had no objection to the concept in principle, but, as the principle was developed, it would be necessary to take proper account of the manner in which products are distributed and of the fact that providers might not always be able to control to whom a product is marketed, if they are not marketing it directly to customers.

The Treasury later published a White Paper and draft Bill on its new approach to financial regulation: The Blueprint for Reform.

The objectives for the proposed Financial Conduct Authority were broadly as we would have expected.

There was a potential conflict, which would need to be carefully managed, between the objective of promoting competition and the power to intervene in markets.

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New Approach to Financial Regulation

There was again no explicit reference to the prevention of financial crime, but we assumed that this would be an important element in the promotion and enhancement of the integrity of the UK financial system.

We welcomed the recognition that product intervention is a complement to, and not a substitute for, regulation of the sales process. Arguably, products are rarely intrinsically inappropriate. Problems arise when products are sold to inappropriate markets.

In principle, if there is to be product intervention, it is difficult to see how this cannot lead to pre-approval of products. Additionally, since price is a key constituent of a product, it is difficult to see how product intervention cannot lead to government involvement in difficult judgements on pricing.

In our view, the emphasis should remain on regulation of the sales and distribution process.

Consultancy Charging

In 2010, FSA announced that it intended to ban the payment of commission on new corporate pension schemes from December 31st 2012. Instead, advisers would need to be remunerated by other means, including fees and/or consultancy charges.

As part of its consultation on this issue, FSA sought suggestions about the fairest way of allocating consultancy charges among different members of corporate pension schemes, allowing for factors such as different ages and different contribution levels. The responses included suggestions that a working party be established to consider the issue, with a view to issuing a form of industry guidance. FSA recognised that the corporate pensions market was distinct from other areas covered by the Retail Distribution Review and that it would therefore not be appropriate for FSA to prescribe the detail of how consultancy charging should work. Accordingly, FSA decided to establish an industry working group to conduct discussion about the allocation of consultancy charges among members of corporate pension schemes.

At the request of FSA, SPC agreed to facilitate the work of this group and to provide its Chairman (Sir James Hodge, the SPC Chairman). Terms of reference were agreed between FSA and SPC for a "Corporate Pensions Consultancy Charging Working Group". SPC then sought applications to join the Working Group from its membership. Applications were also invited from other firms/ organisations, which had expressed an interest in the issue or which were thought likely to have an interest. All who applied to join the Working Group were able to do so. Eventual membership comprised trade bodies, pension providers, independent financial advisers (IFAs), employee benefit consultants, third party administrators and employer bodies. (Consumer bodies were invited to attend but declined to participate.)

FSA provided the Secretariat of the Working Group as well as an observer at its meetings.

The Working Group held its first meeting in 2010 and met a further seven times, the final meeting being in February 2011.

The Working group did not debate the merits or otherwise of moving to consultancy charging, as FSA had already published its final rules. Nor did the Working Group seek to influence changes to FSA's rules or the issuing of formal guidance by FSA. Rather, the Working Group attempted to produce guidance on good practice (and caveats about poor practice), to which firms might look.

The resulting guidance is not prescriptive and is intended purely as a guide as to how consultancy charging might operate in practice. The Working Group recognised that there is no one single fairest way to allocate consultancy charges and that each scheme will have its own individual set of circumstances. The Working Group focused its efforts mainly on contract-based pension schemes, including group personal pensions, group stakeholder pensions and group SIPPs, but the Group considers that its deliberations and conclusions around consultancy charging can have equal application to defined contribution occupational pension schemes.

The Working Group produced the guidance as individual industry practitioners, rather than as representatives of their firm or organisation, which did not necessarily endorsed the guidance.

FSA Guidance Consultation: Assessing Suitability

We responded to FSA on its guidance consultation on assessing suitability.

We commented under the following headings:-

Capacity for loss: we suggested that FSA's intended meaning should have greater emphasis. One could otherwise assume, incorrectly, that the wealthier the customer, the greater their capacity for loss.

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

FSA Consultation: Platforms

We responded to FSA on its consultation paper on Platforms: Delivering the RDR and other issues for Platforms and Nominee Related Services (CP10/29).

Our main concern was that the facilitation of adviser charges through platforms could lead to those, who use platforms for the investment of pension assets, falling foul of HMRC requirements.

A pension investor, who currently uses a platform for dealing in funds, might see a payment of commission for each transaction (for example, one half per cent). A pension scheme operator will be able to clearly see that the commission is linked to the transaction and is a "reasonable" payment for the purposes of HMRC requirements. However, under adviser charging, if the platform holds a number of investments for the pension investor (i.e. including investments not linked to the pension) there is the risk that the pension fund could be used to facilitate all adviser charges. This could be for simplicity or for tax efficiency. Whilst facilitation of a fee for advice on the pension is appropriate under HMRC requirements, the requirement is breached if the pension fund is also used to pay other fees. Either through ignorance of this, or because the adviser and/or member consider this to be "tax efficient", if this happens, the pension member and the scheme operator will incur an "unauthorised payment charge" levied by HMRC. This will be something over which the scheme operator (in most cases the pension provider) will have no control in future, due to the removal of the provider from discussions between the adviser and the customer on fees. However, it is the scheme operator (provider) which will suffer an unauthorised payment charge.

We believed that this would lead to greater administration costs being levied by pension providers.

FSA Consultation: Product Disclosure – Retail Investments

FSA published a consultation document on Product Disclosure: Retail Investments – Changes to Reflect RDR Adviser Charging and to Improve Pension Scheme Disclosure.

We agreed with most of FSA's proposals.

FSA Quarterly Consultation 11/11: Adviser Charging and Amendments to the Compensation Sourcebook

Chapter 6 of this consultation related to Adviser Charging under the Retail Distribution Review. Chapter 7 dealt with proposed amendments to the Compensation Sourcebook.

We were broadly supportive of the proposals in chapter 6

On chapter 7, we agreed in principle that a corporate trustee of an occupational pension scheme should be eligible to make claims to the Financial Services Compensation Scheme in relation to a life insurance policy, where the trustee is in the same group as the life insurer, which issued the policy, and the sponsoring employer is a large employer (as is the current position for non-group affiliated trustees).

However, we were concerned that there is a great deal of uncertainty on the potential cost of this proposal.

This meant that it was very difficult to assess the potential size of any compensation levy arising from this proposal.

FSA Consultation: Financial Crime

We responded to FSA's consultation paper on Financial Crime: A Guide for Firms

We supported the publication of the guide, which we found generally useful.

FSA Consultation: Proposed Changes to the Training and Competence Sourcebook

We had detailed correspondence with FSA on this consultation.

This confirmed our assumption, even before the consultation, that all Pension Transfer Specialists would invariably be at level 4 under the Retail Distribution Review.

Phasing Out the Default Retirement Age

We corresponded with the Department for Business, Innovation and Skills (BIS) on phasing out the default retirement age.

The government's response to consultation on phasing out the default retirement age referred to unintended consequences of the availability of risk benefits and to the government's intention to introduce an exception to the principle of equal treatment on the grounds of age for "Group Risk Insured Benefits". There was no reference to whether this exception would be extended to "self insured" risk, which would extend to larger occupational pension schemes, which choose not to insure risk benefits.

We sought confirmation of whether the intention was for the exception to cover "self insured" risk.

The Department replied that the regulations, which it laid in February, introduced an exception to the principle of equal treatment on the grounds of age, where group risk insured benefits were provided by an employer. This includes where an employer is itself a provider of such insured benefits. The exception is not intended to cover other forms of self-insurance.

The Department's overall policy approach on age discrimination in employment had been to make narrow exceptions, where they could be justified, but there was already a general exception, which meant that age discrimination was permissible if it could be objectively justified.

We also raised some questions relating to this response by BIS and to new paragraph 14 of schedule 9 to the Equality Act 2010, introduced by regulation 2 of the draft Employment Equality (Repeal of Retirement Age Provisions) Regulations 2011. BIS provided further comment, which we shared with SPC Members.

Independent Public Service Pensions Commission Call for Evidence for Final Report

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

We noted that, in practice, risk sharing was not common in the private sector. There has been a relatively rapid transfer of risk away from employers towards scheme members. A major reason for this is that it is difficult under current occupational pension legislation to share risk, because any scheme design which seeks to do so, by retaining some element of benefit promise, underwritten by the employer, seems unavoidably to be drawn into the full rigour of the defined benefit regulatory regime, with all the financial and administrative burdens, which that implies.

Therefore, the risk sharing models which are in principle available, such as career average revalued earnings, cash balance and designs which share longevity risk, are not commonly used.

We supported Lord Hutton's view that the review of public service pension provision should not trigger a "race to the bottom" and, given the distinct nature of public service pension legislation and what we perceived to be a robust employer covenant, we suggested that it ought to be possible for the public sector to adopt some of the approaches, which in principle are available in the private sector.

Views were also sought on whether and how public service pensions could be structured to support a more level playing field between the public and private sectors when tendering for contracts.

In the experience of our commentators, the most significant areas of disparity between public and private sector schemes lay in early retirement and redundancy provision.

An option for private sector employers to provide a defined contribution scheme, with a generous employer contribution, would also be helpful.

Views were sought on what could be learnt about moving to a new scheme from best practice in the private sector and internationally.

We commented that successful moves to a new scheme were often accompanied by an effective communication exercise, coupled with effective consultation.

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Independent Public Service Pensions Commission Call for Evidence for Final Report

The Commission's final report acknowledged that the "race to the bottom" was not sustainable in the long term, and that the right way forward sat 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; we suggested that Hutton's recommendations overall could create a sustainable and balanced framework, many of the features of which could once again provide models for the private sector.

It is essential for any scheme that costs are contained, so that future arrangements remain sustainable, so we supported the principle of defined cost limits proposed. The same principles are essential for the private sector. We suggested that the recommendations should 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 were a prerequisite to the success of any reforms.

BIS/FRC Consultation: Proposals to Reform the Finanical Reporting Council

The Department for Business, Innovation & Skills and the Financial Reporting Council jointly published a consultation document on proposals for changes to the latter, which had implications, among other things, for the Board for Actuarial Standards.

The proposal was that the seven operating bodies of the Financial Reporting Council, including the Board for Actuarial Standards, should be replaced by two FRC Board Committees, one to focus on Codes and Standards, the other on Conduct.

However, the Board Committees would be supported by advisory councils and panels, as necessary, so from a practical point of view, the impact of the changes in the actuarial field might not, we suggested, be large.

In practice, we had not found the structure of the Financial Reporting Council over complex in our dealings with it, nor had we had difficulties in understanding it.

Actuarial Profession Consultation: Conflicts of Interest

The Actuarial Profession published a consultation paper on conflicts of interest.

Overall, we broadly welcomed the new policy, although there were some important points of detail which we believed should be given further thought.

Primarily, it was not clear to us where in practice the boundary between advice and information would lie. For example, how would dealing with employer requests, to give a figure for the cost of a pension augmentation, granting an early retirement without reduction or an ill health pension be treated? Pension scheme trustees will often be content for an employer to receive financing information from the scheme actuary, before it gives its consent to the granting of a benefit, and it would be helpful for this kind of situation to be addressed in the proposed guidance.

The requirement, that a scheme actuary to a relevant scheme must not advise the employer to that scheme in relation to the funding of the scheme, was, in our opinion, non-controversial, but, particularly in smaller schemes, extending the requirement to any matter which has a direct bearing on the benefits payable under that scheme would impose significant, and often needless, additional costs.

The practical outcome could be that the sponsoring employer might receive no actuarial advice and that any strategic advice, which the employer received, would be given by a non actuary.

We noted that the working party, which produced the consultation paper, had considered the possibility of a limited waiver, where there is an obligation under the scheme rules on the scheme actuary to provide certain types of advice to the sponsoring employer.

One possibility, if the proposals remained in their current form, would be to extend this waiver, so that it would be available beyond situations where the scheme rules require the scheme actuary to provide advice to the sponsoring employer.

It would also be important to have clarification on how the proposals would apply to meetings involving the scheme actuary, trustees and sponsoring employer, where conversations are minuted, and the employer poses a question to the scheme actuary, or an individual with dual employer and trustee capacity makes it clear to the scheme actuary that he or she is posing the question in an employer capacity.

Exposure Draft: Statutory Money Purchase Illustrations

We responded to the Board for Actuarial Standards on its exposure draft of a revised Technical Memorandum 1.

We agreed in principle with the proposed approach, to limit the content of TM1 to material required by legislation, with additional material being contained in an accompanying document, but, since information, which DWP requires to accompany the statutory money purchase illustration, is excluded both from the TM1 document and the accompanying document (other than to note that the information is set out in legislation), we did not consider that the proposed approach had been fully met.

On whether the proposed purpose of TM1 reflected its statutory role, we had reservations

We understood that, in the work leading up to the publication of the exposure draft, it was highlighted that one of the key aims underpinning TM1 ought to be to provide illustrations of pension benefits on a broadly consistent basis across various types of money purchase provision.

The "broadly consistent" element was missing from the exposure draft, giving a more concise wording, but a less satisfactory one, in terms of an objective for providers of illustrations, and a less useful one for members of pension schemes.

Incentivised Transfers Steering Group

The first meeting of the Incentivised Transfers Steering Group, sponsored by DWP, took place in November 2011.

The starting point was that liability management exercises, such as employer inspired incentivised transfers, were an important tool for employers and trustees, to help ensure that pension schemes could best meet their obligations to all members.

The working party was asked to proceed on the basis that, while such exercises could be advantageous for some members, they were unlikely to be in most members' interests.

Ministers had agreed that the government should work with industry groups, covering insurance, pensions and financial advice, to develop a code of practice, to cover all forms of transfer, which had not been inspired by the scheme member, with the aim that the code be endorsed across the industry.

The aim was to develop a code, which could gain industry consensus and be endorsed on a voluntary basis by all parties involved in the promotion, design and delivery of pension transfers.

Discussions continued into 2012.

Call for Evidence: Kay Review of UK Equity Markets and Long Term Decision Making

The government-commissioned Kay Review of UK equity markets and long-term decision making published a call for evidence and SPC submitted a response

The first question raised in the Review was whether the timescales considered by boards and senior management, in evaluating corporate risks and opportunities, and by institutional shareholders and asset managers, in making investment and governance decisions, match the time horizons of the underlying beneficiaries.

We focused on the timescales used by equity investors, and in particular institutional investors, such as pension scheme trustees.

The dangers of short termism have been widely recognised since the Myners Review, and more recently through the work of the Investment Governance Group. In practice, investment management agreements are almost always drawn up without any term attached to them, but are subject to quarterly performance review by trustees.

As a separate point, relating to the retirement horizons of pension scheme members, the link between the timescales of those investing on their behalf, i.e. the trustees with the scheme members, is not correlated to individual shares. The duty of the trustees is to act in the best interests of the beneficiaries, which are normally their best financial interests over time. There is a secondary fiduciary duty, to monitor investments over time, and trustees would be criticised if they did not take reasonably timely action in relation to investment decisions.

It is therefore dangerous to think in terms of a direct correlation between investee companies and investors, who have separate obligations towards the underlying beneficiaries.

The Review sought views on how to ensure that shareholders and their agents gave sufficient emphasis to the underlying competitive strengths of the individual companies, in which they invested.

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Call for Evidence: Kay Review of UK Equity Markets and Long Term Decision Making

We observed that there are many different investment philosophies, but the question seemed to be based on the premise that active management is the only consideration, whereas much pension fund investment is now on a passive basis.

We went on to comment that, in general, there is no inconsistency between trust law duties, to act in the best interests of the beneficiaries and to observe the fiduciary standards of a reasonably prudent person, with the long term objectives of the review. It would, however, be misconceived to prescribe some form of restriction on short termism, because it could be in the best interests of beneficiaries to sell holdings quickly in certain circumstances.

There is no evidence, of which we are aware, and in fact there is a tax disincentive, of frequent churning of investment portfolios.

Additionally, the market is probably moving towards a less rapid turnover of asset managers, with the introduction of liability driven investment mandates.

The Review went on to invite observations on the impact of greater fragmentation and internationalisation of UK share ownership, and other developments in global equity markets, on the quality of engagement between shareholders and quoted companies.

We suggested that increased fragmentation and internationalisation of UK share ownership mean that UK institutional investors, including insurance companies and pension funds, account for a smaller proportion of ownership. Engagement has costs and, like all costs, they need to be justified. One of the factors relevant to justifying the cost is the impact of the engagement and, all other things being equal, the greater fragmentation and internationalisation of UK share ownership probably means that the impact of engagement by UK institutional shareholders will be less than it might previously have been.

Annual Consultation Meeting eith the Commercial Secretary to the Treasury

SPC was represented at the annual consultation meeting, between the Commercial Secretary to the Treasury and gilt end-users.

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

European Commission Call for Advice on the IORP Directive

The European Commission issued a call for advice to the European Insurance and Occupational Pensions Authority for the review of the IORP Directive. This followed 2010's consultation on measures to deliver adequate, sustainable and safe pensions.

The Commission wanted to achieve greater harmonisation in the way, and transparency of how, members' benefits are protected in funded occupational pension schemes across Europe – with particular focus on solvency standards.

The proposals would affect both defined benefit and defined contribution occupational schemes, although those relating to harmonising solvency requirements for defined benefit schemes attracted most attention, with the greatest scrutiny falling on the 'capital adequacy' element as described below. However, there was also the prospect of significant change in relation to:

- Rules on governance and regulatory oversight.
- Disclosure requirements to both members and the Pensions Regulator.

EIOPA was urged to consider how the comparable provisions in the Solvency II Directive could be applied to all but seven out of the 23 topics covered by the call for advice. A further two drew on the disclosure measures set out in the UCITS IV Directive – including Key Investor Information Documentation, familiar to financial services providers.

Although the full rigours of the capital adequacy requirements of Solvency II were reserved for pension funds termed "regulatory own funds" – which probably do not to exist in the UK – it nonetheless remained the starting point for other pension schemes.

The Commission was keen to apply certain principles from Solvency II – including market-consistent valuations, with technical provisions being calculated as a best estimate of future cash flows, discounted at a risk-free rate – together with a risk margin across the board. The call referred to the creation of a single balance sheet, recognising as an asset the strength of the employer's covenant and, within the UK, considering the Pension Protection Fund as a form of 'reinsurance'.

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European Commission Call for Advice on the IORP Directive

The call for advice asked EIOPA to advise how to achieve greater harmonisation across the EU on:

- Governance – including risk management and the 'fit and proper' status of scheme managers.
- Investment rules – supervision of asset allocations and operation of lifestyle and default funds.
- Disclosure of information to the Regulator and members – including the content of Statements of Investment Principles.

For defined contribution schemes, particular attention would be paid to managing and supervising 'operational risk' – especially administration risk from the late payment of contributions - and cost control.

EIOPA itself consulted in the light of this call for advice and we submitted a response.

In the UK context, we suggested that there were strong reasons why group personal pensions should not come within the scope of any revised Directive.

Firstly, they are already covered under the Life Directive so there would be regulatory overlap and scope for confusion and uncertainty, if they came within the scope of the IORP Directive. Secondly, although group personal pensions are established with the support, often financial and/or in other forms, of an employer, they are, in fact, simply a collection of individual legal contracts, to which the employer is not legally party. It would therefore be difficult, through the IORP Directive, to impose duties on an employer, in respect of an arrangement, to which it is not party.

As the draft response suggested, amongst other things, tax differences between member states make it currently unlikely that cross border schemes will make more than the very limited progress, which they have so far made.

We therefore saw very limited practical value at present in changing the definition of cross border schemes and a negative impact, in that the changes could undermine the work which member States, including the United Kingdom, had undertaken, to build workable regulatory structures around the current requirements.

As a general principle, if there was to be a consistent EU-wide definition, in our view, the social and labour laws of the country, where a member is currently working, should provide the regulatory benchmark.

However, the whole question was fundamental to the aim of facilitating the Internal Market through cross-border provision and should therefore be the subject of a separate and more detailed consultation.

European Commission Consultation: UCITS Depositary Function and Manager Remuneration

The European Commission published a consultation paper on the UCITS depositary function and on the UCITS managers' remuneration

We submitted comments on the material on the depositary function.

SPC Contacts

SPC had a range of meetings across and outside government on a wide variety of subjects, some of which are summarised below,

- We met PPF to discuss its consultation on a new levy framework. The main focus was on matters relating to the assessment of insolvency risk.
- At further meetings with PPF, we discussed the current and longer term financial outlook for PPF, PPF's development of a bespoke investment risk measure for larger schemes, potential implications for PPF of a possible EU requirement for central clearing of over-the counter derivatives and adjustment for the unequal effects of GMPs.
- SPC 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.
- SPC was represented at meetings of DWP's Workplace Communications and Information Group, set up in the run-up to the beginning of auto-enrolment.

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SPC Contacts

- SPC was represented at meetings of the Pensions Regulator's stakeholder forum.
- SPC had meetings with the Pensions Regulator, as part of the Regulator's continuing work in the defined contribution field in the run-up to auto-enrolment, and for updates on its work on communicating with employers in the run-up to auto-enrolment.
- SPC continued to participate in pension technical meetings, hosted by HMRC, preparing the way for separate rates of income tax in Scotland and in England and Wales.
- The SPC Administration Committee met officials from HMRC (National Insurance Services to Pensions Industry) to discuss how SPC could assist in the latter's plans for protected rights reconciliations when defined contribution contracting-out ended in 2012.
- SPC participated in meetings of the HMRC Pensions Industry Stakeholder Forum.

  Among the matters addressed were the government's plans for introducing Real Time Information into the PAYE system, HMRC's plans for restructuring the Registered Pension Schemes Manual and various outstanding matters related to the new annual allowance and lifetime allowance requirements.

  At the request of HMRC, SPC provided detailed comments on some of the releases of Registered Pension Scheme Manual pages.
- SPC maintained contact with the UK Debt Management Office, both bilaterally and at DMO's quarterly consultation meetings.
- SPC met representatives of CBI for discussions focussing on the potential impacts on UK schemes of EU Solvency II – type requirements and the financial implications of the possible ending of defined benefit contracting-out, as referred to in the government's consultation earlier in the year on the future of the State pension.
- The SPC Financial Services Regulation Sub-Committee met the Consumer Finance Education Body (now Money Advice Service) for a briefing on its publication "Your Guide to Retirement".
- SPC is a supporter of the UK Investment Performance Committee, which is the main consultation body in the UK for Global Investment Performance Standards (GIPS), part of a global initiative to standardise the way in which investment information is presented. SPC was represented at the Committee's meetings throughout 2011.

SPC Roundtable: the Language of Auto-Enrolment

SPC held another in its successful series of Roundtables for Members.

The theme was "The Language of Auto-Enrolment".

The guest facilitator was Hilda Massey, Deputy Director Pensions Information and Presentation, Pensions Client Directorate, DWP.

Honorary Treasury

Council re-elected Lindsay Davies, a partner in Hymans Robertson, as SPC Honorary Treasury for a further year.

Council and Committees

During the year the following Council and committee meetings took place

Actuarial	8
Administration	11
Council	6
Financial Services	4
Legislation	12
Money Purchase	12
Public Relations	6
Other standing committees	6
Other committees	3

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

The membership of Council and committees is listed in Appendix I.

At December 31st SPC 103 members.

They are listed in Appendix II to this report.

Co-operation

SPC liaised with the Association of British Insurers, The Association of Consulting Actuaries, The Association of Pension Lawyers, The Institute of Chartered Accountants in England and Wales, The Investment Managers Association, The National Association of Pension Funds and the Pensions Management Institute through the Occupational Pension Schemes Joint Working Group. The Group is also a channel for liaison with DWP, The Treasury, HMRC, The Pensions Regulator and the Pension Protection Fund.

SPC chaired the Group, through its President – Kevin LeGrand – until June 30th, and provided the secretariat through its own secretariat up to the same date.

The main subjects addressed were adjustment for the effects of unequal GMPs and implementation of the restriction of higher rate pension tax relief.

External and Internal Relations

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 also had regular features in the Actuary Magazine and Financial Regulatory Briefing.

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

The SPC website attracted 20,071 visits (11,744 in 2010)

We continued to sponsor the prize for the best performance in the Scheme Arrangements paper of the PMI Associateship examination.

SPC News was produced on a near monthly basis and was supplemented by the issue of frequent general circulars on matters of importance to members. The SPC Document Service again operated, as did the SPC Pension Ombudsman's Determination Service.

SPC On-line Polls

We continued to conduct on-line polls of SPC members throughout the year.

SPC Evening Meetings

A programme of evening meetings was provided throughout the winter, spring and autumn, with meetings taking place in Leeds, London, Manchester and Scotland. The programme for Scotland was arranged in collaboration with NAPF and PMI. The programme of meetings was as follows:-

Month	Subject	Speakers
February	A New Approach to Tax Policy	Stuart Glassborow (The Treasury) and Clare Gough (HMRC)
	De-Risking	Steven Dicker (Goldman Sachs)
March	Practical Responses to an Open-ended Workplace	Hugh Gittins and Philip Davies (Eversheds)
	Scheme Mergers: A Practical Guide	Catherine McKenna (Squire Sanders) and Rachel Hunt (Aon Hewitt)
April	Adding Value for Employers and Members	Morten Nilsson (ATP)
May	Pension Taxation – Where Next?	Graham Cooke (JLT Wealth Management)
June	Recent Important Pension Cases (Joint meeting with APL)	Jonathan Hilliard (Wilberforce Chambers) and Fraser Smart (Buck Consultants)
September	Gentlemen Prefer Bonds: Investment Challenges Over the Next Ten Years	Stewart Cowley (Old Mutual Asset Managers)
November	Fiduciary Management: Classic Consulting, Out-sourcing or In-sourcing	Robert Gardner (Redington)
	Employers' New Automatic Enrolment Obligations	Jeremy Harris (DLA Piper)

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SPC Evening Meetings

December	Practical Experience Following the Ending of the Default Retirement Age	Raymonde Nathan (JLT Benefit Consultants)
	Houldsworth v Bridge Trustees	Giles Orton (Eversheds) and Anthony Miller (Bridge Trustees)

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

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

AXA, Allen & Overy, Barnett Waddingham, Eversheds, KPMG, JLT, Old Mutual, PricewaterhouseCoopers, Wragge & Co.

SPC Conference 2011

SPC held a Conference at the Hyatt Regency Churchill, London W1 in October.

The theme of the Conference was A Future without Retirement: Embracing the Opportunities and Meeting the Challenges.

We assembled a high level panel of speakers from business, political, academic and pension backgrounds.

Our main speaker was Steve Webb, the Pensions Minister.

SPC Dinner and Press Awards

SPC held another successful Dinner on November 2nd. The venue was again The Dorchester. The principal guest was David Willetts (Minister of State for Universities and Science), who proposed the toast to SPC. The response was by Kevin LeGrand, the SPC President. The Dinner marked the presentation of the SPC Pensions Journalists of the Year Awards. The recipient in the National Category was Norma Cohen (Financial Times) and in the Trade Category Jonathan Stapleton (Professional Pensions).

SPC COUNCIL AND COMMITTEE MEMBERSHIP AS AT DECEMBER 31ST 2011

Council

Kevin LeGrand (President)	Buck Consultants Limited
Sir James Hodge (Chairman)	
Natalie WinterFrost	Aberdeen Asset Management Ltd
John Quinlivan	AEGON
Paul McGlone	Aon Hewitt
Ian Long	Aviva
Steve Hitchiner	Barnett Waddingham LLP
Paul Sturgess	Capita Hartshead
Mark Shimmons	Deloitte Total Reward and Benefits Limited
Robert Noble	Gallagher Employee Benefits
Ian Gault	Herbert Smith
Duncan Buchanan	Hogan Lovells LLP
Lindsay Davies (Honorary Treasurer)	Hymans Robertson LLP
Roger Mattingly	Jardine Lloyd Thompson Benefit Solutions
Phil Link	Just Retirement Limited
David Fairs	KPMG LLP
Edwin Topper	Mercer
Rachel Low	MNPA Ltd
Matthew de Ferrars	Pinsent Masons LLP
Deborah Wilson	PricewaterhouseCoopers LLP
Beverley Morris	Prudential PLC
Claire Carey	Sacker & Partners
Tony Escreet	Scottish Widows
Malcolm Winter	Standard Life Assurance
Mark Ashworth	The Law Debenture Pension Trust Corporation p.l.c.
Sanjay Gupta	Towers Watson
Robert Birmingham	Xafinity Consulting
Duncan Howorth (Co-opted)	
Nigel Waterson (Co-opted)	

Actuarial Committee

Bill Barnes	Hymans Robertson
Mike Bartlet	Buck Consultants
David Berenbaum	Towers Watson
Chris Bunford (Deputy Chairman)	LCP
Matthew Collins	Aon Hewitt
William Fitchew	Punter Southall
David Hamilton	JLT Actuaries and Consultants
Jonathan Isted (Chairman)	Capita Hartshead
Dina McDonald	Mercer
Helen Turner	Barnett Waddingham LLP
Zaheer Zahoor	Deloitte Total Reward and Benefits Limited

Administration Committee

Jason Ardern	HS Admin
David Barnes	Bluefin
Geraldine Brassett	Aon Hewitt
Bob Burse	FIL Pensions Management
David Connell	Barnett Waddingham
Sara Cook	Mercer
Paul Fearon	Metlife Assurance
Jane Garton	JLT Benefit Solutions
Rachel Harris	ACS
Nigel Howarth	Xafinity Paymaster
Conrad Jones	Aviva
Rosie Kwok (Deputy Chairman)	Punter Southall
Rachel Low	MNPA
Andrew McDougall	LCP
Jonathan Papier	Hymans Robertson
Andrew Short (Chairman)	Capita Hartshead
Phil Tilley	Prudential
Deborah Wilson	PricewaterhouseCoopers
Malcolm Winter	Standard Life Assurance

European Sub-committee

Martine Bach	PricewaterhouseCoopers
Tony Bacon	LCP
Paul Burt	Xafinity Consulting
Isabel Coles	Mercer
Peter Cottingham	Prudential Corporate Pensions
Matthew de Ferrars	Pinsent Masons
Edmund Downes	Aviva
Mark Dowsey (Chairman)	Towers Watson
Tony Escreet	Scottish Widows
Liz Fallon	Eversheds
Jayne Hidderley	Linklaters
Charles Magoffin	Freshfields Bruckhaus Deringer
Caoimhe O'Neill	Charles Russell
James Saunders	Punter Southall
Laura Sayer	Squire Sanders
Maria Stimpson	Allen & Overy
Alex Tottle	Aon Hewitt
Michael Wyman	Simmons & Simmons

Financial Services Regulation Sub-committee

Martine Boogaerts	Aon Hewitt
Pedro Calatayud	Gallagher Employee Benefits
Simon Grey	Aviva
Chris Halewood (Chairman)	CS Financial Solutions
Richard Houston	FIL International
Peter James	Buck Consultants
Anne Jones	Capita Hartshead
Malcolm Lamb	PricewaterhouseCoopers
Beverley Morris	Prudential
Kate Smith	AEGON
Mark Wicks	JLT Benefit Solutions
Steve Wright	MNPA

Legislation Committee

Tony Bacon (Deputy Chairman)	LCP
Mark Bondi	Bluefin
Janet Brown	Sacker & Partners
Duncan Buchanan (Chairman)	Hogan Lovells
Lorna Buckland	Linklaters
Peter Cottingham	Prudential
Peter Esam	Travers Smith
Helen-Mary Finney	Aon Hewitt
Martin Hooper	Barnett Waddingham
Wendy Hunter	Squire Sanders
Averil Logan	Towers Watson
Iain McClay	Aviva
Andrew Patten	SNR Denton UK
Peter Sayers	Xafinity Consulting
Rosslyn Scott	Mercer
Andrew Scrimshaw	KPMG
Arron Slocombe	Baker & McKenzie
Gareth Soanes	Allen & Overy
Andy Wells	Punter Southall Limited
John Wilson	JLT Benefit Solutions

Money Purchase Committee

Ken Anderson	Xafinity Consulting
Navneet Bassan	PricewaterhouseCoopers
Jennifer Bell	Nabarro
Bob Burse	FIL Pensions Management
Barbara Cole	Gallagher Employee Benefits
Carol Jones	Linklaters
Paul Leandro	Barnett Waddingham
Phil Link	Just Retirement
Rachel Low	MNPA
Lynda Martin	Prudential
Simon Mayho	KPMG
Dina McDonald	Mercer
Gavin Moffatt (Chairman)	Bluefin
Ian Neale	Aries Pension & Insurance Systems
Robin Nimmo	Scottish Life
Alison O'Brien	Aviva
Mark Riordan	Capita Hartshead
Nicola Rondel	Hogan Lovells
Simon Tyler (Deputy Chairman)	Pinsent Masons
Alistair Wadsworth	JLT Benefit Solutions
Malcolm Winter	Standard Life Assurance

Public Relations Committee

Jill Clucas	Hogan Lovells
Lindsay Davies (Deputy Chairman)	Hymans Robertson
Robin Hames	Bluefin
Jane Higgins	Allen & Overy
Duncan Howorth	JLT Benefit Solutions
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Roger Mattingly (Chairman)	JLT Benefit Solutions
Suzanne Mortimer	Wragge & Co.
Gareth Roberts	Berkeley Burke & Co.
Edwin Topper	Mercer
Vanessa Wells	Eversheds

SPC MEMBERS AS AT DECEMBER 31ST 2010

- Aberdeen Asset Management Ltd
- Addleshaw Goddard
- AEGON
- Allen & Overy LLP
- Aon Hewitt
- ARC Benefits Limited
- Argyle Consulting Limited
- Aries Pension & Insurance Systems Ltd
- Ashurst LLP
- Aviva
- Baker & McKenzie LLP
- Barlow Lyde & Gilbert
- Barnett Waddingham LLP
- BBS Consultants & Actuaries Limited
- Berkeley Burke & Co.
- Blake Lapthorn
- Bluefin
- BNY Mellon Performance & Risk Analytics Europe Limited
- Buck Consultants Limited
- Capita Hartshead
- Capita Trust Company Limited
- Capital Cranfield Trustees Limited
- Cardano Risk Management BV
- Cartwright Group Ltd.
- Charles Russell LLP
- Crowe Clark Whitehill LLP
- CS Financial Solutions
- Deloitte Total Reward and Benefits Limited
- DLA Piper UK LLP
- European Financial Planning Group Limited
- Eversheds LLP
- ExactVal
- FIL Pensions Management
- Freshfields Bruckhaus Deringer
- Gallagher Employee Benefits
- Gazelle Corporate Finance Limited
- Grant Thornton
- Greenberg Traurig Maher LLP
- GSAM
- Harvey & Clamp LLP
- Herbert Smith
- Hogan Lovells LLP
- HS Admin
- Hymans Robertson LLP

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Jardine Lloyd Thompson Benefit Solutions
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Just Retirement Limited
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KPMG LLP
Lawrence Graham LLP
LCP
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Legal & General Investment Management Ltd
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Maclay Murray & Spens LLP
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Mitchell Consulting Actuaries Limited
Mn Services
MNPA Ltd
Muse Advisory
Nabarro
Norfolk & Suffolk Pension Consultants
One Pension Consultancy LLP
Optima Financial Services Limited
Osborne Clarke Pension Trustees Limited
Pension Insurance Corporation LLP
Pi Consulting (UK) Ltd
Pinsent Masons LLP
Pope Anderson LLP
Practical Law Company Limited
PricewaterhouseCoopers LLP
Professional Pensions and Investments Ltd
Prudential PLC
PS4D Ltd.
Punter Southall Limited
Royal London
Royal London Asset Management
Sacker & Partners
Scottish Life
Scottish Widows
Scottish Widows Investment Partnership Limited
SEI Investments (Europe) Ltd
Simmons & Simmons LLP
SNR Denton UK LLP
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Stamford Associates Limited
Standard Life Assurance
Sterling Financial Consultants Limited
T J Green (Pension Consultants) Ltd
Technical Connection Ltd

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Towers Watson
Travers Smith LLP
UBS Global Asset Management
Wedlake Bell
Winterbourne Trustee Services Ltd
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Xafinity Consulting
YiG Consulting Limited