SPC news

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in this issue ...

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If this issue of SPC News was forwarded to you, and you would like to receive a copy direct from us, please e-mail Eileen Damsell at SPC

eileen.damsell@spc.uk.com

SPC Administration Network meeting programme

The SPC Administration Network has announced its programme of meetings for 2008. Meetings are planned for March 11^{th}, June 10^{th}, September 9^{th} and November 11^{th} in conjunction with the SPC Administration Committee.

The background to the Administration Network is that a number of in-house pension scheme administrators expressed interest in the work of the SPC Administration Committee. SPC membership is not available to in-house administrators and we therefore set up the Administration Network, to enable them to keep in touch with and influence the work of one of the key bodies in the pensions world, focusing not just on scheme administration, but broader risk management and governance issues.

If you have any contacts to whom you would recommend membership, please contact **John Mortimer** (john.mortimer@spc.uk.com). ■

Details of forthcoming meetings are as follows:

Date	Subject	Speaker	Venue
April 1 2008	"Pension Buy-Outs and their Alternatives?"	Roger Mattingly & Jonathan Sarkar (HSBC Actuaries and Consultants)	Hammonds, 7 Devonshire Square, Cutlers Gardens, London EC2M 4YH
May 1 2008	"Personal Accounts"	Tim Jones (Chief Executive, PADA)	TBC
May 29 2008	"Active Cash Management"	Gareth Quantrill (Scottish Widows)	TBC

We are grateful to Hammonds for hosting the April meetings respectively.

The handout for the January London evening meeting, which was addressed by Chris Lewin (former DWP independent external de-regulatory reviewer), who spoke on "Pensions De-regulation", is available. For a copy, please click here.

The handout for the February meeting, which was addressed by Mark Belchamber (Hymans Robertson), is also available. For a copy, please click here. We are grateful to Eversheds for hosting the meeting. ■

The latest new members of SPC

- **Lazard & Co Services Limited**
  London W1
- **Haworths Financial Services Limited**
  Accrington ■

SPC chooses President-Elect

The SPC Council has elected **Duncan Howorth** (Managing Director) at Jardine Lloyd Thompson Benefit Solutions as President-Elect. He is due to succeed Mark Ashworth as President on June 1^{st} of this year. ■

New material on the SPC website

We have added some new material to the archive section of the SPC Website. The following are now available:-

- SPC Committee papers for 2007
- SPC News Issues for 2007.

SPC Committee membership update

SPC has reviewed the membership of all its committee for 2008 and the memberships are as follows:-

Actuarial Committee	
Darren Fleming	Aon Consulting
Steve Hitchiner	Barnett Waddingham LLP
Mike Bartlet	Buck Consultants Limited
Jonathan Isted	Capita Hartshead
Emma Constable	Deloitte Total Reward and Benefits Limited
Bill Sharp	Gissings Ltd
Darren Greenwell	Hewitt
David Hamilton	HSBC Actuaries and Consultants Limited
Bill Barnes	Hymans Robertson LLP
Ian Capper	Jardine Lloyd Thompson Benefit Solutions Ltd
Ben Brown	KPMG LLP
Chris Bunford	Lane Clark & Peacock LLP
Deborah Cooper	Mercer
Lindsay Goundry	Punter Southall Limited
John Forrest	Scottish Equitable plc
Melanie Cusack (Chairman)	Towers Perrin
David Berenbaum	Watson Wyatt LLP

European Sub-Committee	
Tim Box	Lane Clark & Peacock LLP
Lorna Buckland	Linklaters LLP
Paul Burt	Xafinity Consulting
Isabel Coles	Mercer
Matthew de Ferrars	Pinsent Masons
Edmund Downes	Norwich Union
Gordon Harkes	Standard Life Assurance
Charles Magoffin	Freshfields Bruckhaus Deringer
Oonagh McDevitt	Eversheds LLP
Caoimhe O'Neill	Charles Russell LLP
Andrew Payne	Hewitt
Elisabetta Russo	PricewaterhouseCoopers
Laura Sayer	Hammonds
Robert Sperl	Watson Wyatt Limited
Maria Stimpson	Allen & Overy LLP
Ian Walker	Buck Consultants Limited
David West (Chairman)	Aon Consulting Limited
Michael Wyman	Simmons & Simmons

Administration Committee	
David Barnes	SBJ Benefit Consultants Limited incorporating Orbit Benefits Limited
Bob Burse	Fidelity Pensions Management
David Connell	Barnett Waddingham LLP
Cath Cooney	HS Administrative Services Ltd
Isobel Garside	Xafinity Paymaster
Caspar Hancock	Aon Consulting
Victoria Holmes	Hewitt
Nigel Howarth	Hazell Carr plc
Gareth Kitchener	Norwich Union
Rosie Kwok	Mercer
Rachel Low	MNPA Ltd
Andrew MacDougall	Lane Clark & Peacock LLP
Craig Martin	Excellerate HRO
Stewart Mason	HBOS Financial Services
Brendan Mooney (Deputy Chairman)	Hymans Robertson LLP
Amanda Osborne	Jardine Lloyd Thompson Benefit Solutions Ltd
Karen Rhodes	Punter Southall Limited
Andrew Short	Capita Hartshead
Brian Thorne	Prudential
Deborah Wilson (Chairman)	PricewaterhouseCoopers LLP
Malcolm Winter	Standard Life Assurance

Financial Services Regulation Sub-Committee	
Tom Calvert-Lee (Chairman)	Gissings Consultancy Services Limited
Ian Cass	Compliant Solutions Ltd
Mark Garner	Jardine Lloyd Thompson Benefit Solutions
Simon Grey	Norwich Union Life & Pensions
Chris Halewood	Griffiths and Armour Financial Services
Joanne Hull (Deputy Chairman)	Hazell Carr plc
Mike Kelly	Fidelity Pensions Management
Malcolm Lamb	PricewaterhouseCoopers
Peter Lovegrove	Heath Lambert Consulting Limited
Colin Murphy	Legal & General Life & Pensions Group
Vivien Thomas	Mercer
Peter Williams	Aegon/Scottish Equitable
Steve Wright	MNPA Ltd
Mike Young	Buck Consultants Limited

Investment Committee	
Nina Bhatt	Henderson Global Investors
Steven Catchpole	PricewaterhouseCoopers
David Clare	HSBC Actuaries and Consultants Limited
Paul Deane-Williams	Watson Wyatt Limited
Judith Donnelly	Linklaters
Tony English	Mercer Investment Consulting
Anne Fairchild	PIMCO Europe Ltd
Brian Henderson	Hymans Robertson LLP
David Hepplewhite	Capita Hartshead
Peter Martin	Aon Consulting
Neil Morgan	SBJ Benefit Consultants Limited incorporating Orbit Benefits Limited
John Nestor	Citigroup Global Markets Limited
Tim Rees	Insight Investment Management Limited
Clifford Sims (Deputy Chairman)	Hammonds
Neil Walton	Schroder Investment Management Limited
Alan Wilcock	Mellon Analytical Solutions
Natalie Winter (Chairman)	Aberdeen Asset Management Ltd

Legislation Committee	
Tony Bacon	Lane Clark & Peacock LLP
Andrew Block	Linklaters
Janet Brown	Sacker & Partners
Eleanor Dowling	Mercer
Peter Esam (Deputy Chairman)	Travers Smith
Neil Fairchild	Hewitt
Helen-Mary Finney	Aon Consulting Limited
Andrew Hoddinott	PricewaterhouseCoopers
Brian Huggett	Pearl Group Limited
Wendy Hunter	Hammonds
Claire Lancaster	Barnett Waddingham LLP
Ian Long	Norwich Union
Paul Marshall	Prudential
Andrew Patten	Denton Wilde Sapte
David Roberts	Watson Wyatt Limited
Peter Sayers	Xafinity Consulting
Ron Thom	Lawrence Graham LLP
Andy Wells	Punter Southall Limited
John Wilson (Chairman)	HSBC Actuaries and Consultants Limited

Money Purchase Committee	
Tony Barnard	Gissings Consultancy Services Limited
Mark Bondi	Heath Lambert Consulting Limited
Sandra Neill	Prudential Corporate Pensions
Judith Donnelly	Linklaters
Jim Doran	Mercer
Mike Kelly (Chairman)	Fidelity Pensions Management
Stewart Lee	HSBC Actuaries and Consultants Limited
Rachel Low	MNPA Ltd
Stewart Mason	HBOS Financial Services
Colin Mayes	Hymans Robertson LLP
Gavin Moffatt	SBJ Benefit Consultants Limited incorporating Orbit Benefits Limited
Ian Neale	Aries Pension & Insurance Systems Ltd
Penny Pilzer	Lovells LLP
Adam Potter	Aegon/Scottish Equitable
Chris Potts	Barnett Waddingham LLP
Tim Richards	Pearl Group Limited
Robert J Smith	Lawrence Graham LLP
Simon Tyler	Pinsent Masons
Pauline Vassiades	Towers Perrin
Emma Ward	Norwich Union
Malcolm Winter	Standard Life Assurance

Northwest Committee	
Clive Hamilton	Jardine Lloyd Thompson Benefit Solutions
Graham Ratcliffe	Aon Consulting Limited
Steve Robinson	HSBC Actuaries and Consultants Limited
Stephen Scholefield (Chairman)	Pinsent Masons

Public Relations Committee	
Jason Coates	Wragge & Co LLP
Lindsay Davies (Deputy Chairman)	Hymans Robertson LLP
Robin Hames	PIFC Consulting plc
Duncan Howorth	Jardine Lloyd Thompson Benefit Solutions
Nicholas Laird	Linklaters LLP
Roger Mattingly (Chairman)	HSBC Actuaries and Consultants Limited
Clive Pothecary	Punter Southall Limited
Deborah White	Capita Hartshead

Scottish Committee	
Irene Campbell	Buck Consultants Limited
Paul Hamilton	Barnett Waddingham LLP
Graham Hanna	Mercer
Louisa Knox	Shepherd & Wedderburn
Bob Purves	Buck Consultants Limited

Yorkshire Committee	
Philip Dennis	Hewitt
Gemma Hanley	Hammonds
Richard Hardy	Capita Hartshead
John Harrison	Barnett Waddingham LLP
James Patten (Chairman)	Hewitt
Richard Robinson	Hewitt
Ms Terry Saeedi	Hammonds
Edward Spencer	Barnett Waddingham LLP
Peter Woods	PricewaterhouseCoopers

Mandatory e-filing for registered pension schemes

In December 2007 HMRC asked us to share with interested SPC members the key points from a message which it had recently sent to SPC about mandatory e-filing for registered pension schemes. The mandatory electronic filing of certain pension scheme tax reports and returns was introduced on October 16th 2007. HMRC Pension Taxation Simplification Newsletter 30 covered the subject in some detail.

HMRC asked for initial reactions to the new service. Its own perception is that it has coped well.

These are the comments which came back to us, and which we have passed to HMRC:-

- When the administrator submits the Accounting for Tax returns on a client's behalf, he or she is automatically sent a payment reference. They then use that reference when making the tax payment to the bank, e.g. in respect of tax on an early leaver refund. For some reason (and it is not clear whether it is an HMRC problem or a bank problem), the money does not seem to be recognised as relating to the payment referred to on the AFT return. Sometimes the administrators receive chasers for payment from HMRC in respect of monies paid several months ago.
- When an AFT is submitted to HMRC on-line, the receipt generated automatically by HMRC does not contain any reference to enable the administrators to tie up the receipt with the scheme concerned (it is understood that this also applies to other types of on-line submissions to HMRC). So, if one of the submissions did not work properly, the administrators might know that there had been a problem with one of them, because there would have been, say, 12 submissions and only 11 receipts, but would not know which submission had not worked. In practice, it is not clear that this has been a problem, but it seems rather pointless sending out receipts where the recipient administrator cannot tell to which scheme they relate. Where there is an in house administrator dealing with just one scheme, the absence of a receipt will not necessarily cause a problem, but, given the number of schemes dealt with by third party administrators, we would imagine this is a fairly common problem. We understand that it has already been raised with HMRC.
- There is only one page in which one can gain the payment reference to be included on the electronic payment. If this is not printed off at the time of submission, there is no way of retrieving this reference at a later date.
- One of our Members recently tried to submit a return for one of its clients and the submission failed for the June 2007 quarter (once this happens, resubmission of the return is not allowed until the matter is resolved). Our Member reported the failure to the helpdesk and obtained a reference. The call was finally closed by the helpdesk at the end of October, when the Member was submitting the September quarter return, so at this time the Member submitted both returns and paid the tax. Our Member has since received a late filing penalty notice of £400 from Yorke House, which it is required to appeal against (due to the fact that the return was under query), and then an additional notice of late payment of tax and interest on the June quarter return from HMRC accounts payable (which our Member was required to appeal against separately, as the offices are based in different places). The appeals have been granted but our Member suggests that cases should not have been raised as the return was under query.

The overall feedback to us, however, is that there have been no real problems so far. It has been suggested that the system might have come under more rigorous test at the end of January, a cut-off point for submission of reports.

SPC submits paper to HMRC regarding difficulties on winding-up caused by its restrictions on benefits taken in two tranches

Following a meeting with HMRC / DWP on difficulties on winding-up, caused by HMRC's restrictions on benefits taken in two tranches, we have now submitted a paper to HMRC explaining the difficulties and suggesting some resolutions.

The definitive funding position for schemes winding up is not established until close to the end of the winding-up process.

The majority of defined benefit pension schemes are still in deficit. Smaller defined benefit schemes are more likely to be in deficit, and the deficit is likely to be proportionately greater.

In addition, a greater proportion of smaller schemes are winding up.

Some schemes winding up are, however, in surplus and our paper recognises this.

There are approximately 8,500 occupational, defined benefits, pension schemes currently being wound up. The majority of these schemes are not eligible for Pension Protection Fund compensation, because they started to wind-up before 6 April 2005.

Schemes which started to wind-up before 6 April 2005 are generally required to give priority to benefits where entitlement had arisen before the start of the wind up.

Whatever the final funding position turns out to be, trustees of schemes winding up typically take a conservative approach to the level of benefits which they pay while the scheme is winding up.

With the aim of treating members fairly in often difficult financial circumstances not of their making, trustees will try (unfortunately not always successfully) to organise matters, so that any adjustment to benefits, when the winding up is completed, is upwards rather than downwards. So their preference would be to start benefits at a lower level and top them up if the eventual funding position permits this.

However, the Finance Act 2004 presents two major obstacles to trustees wishing to adopt this approach:-

- The inability to pay two-stage winding-up lump sums.
- The restrictions on cash associated with two-stage pension payments.

Our paper examines current difficulties in more detail and suggest some resolutions.

This is available at http://www.spc.uk.com/2008/ADC11.pdf

HMRC is considering the paper. ■

The reference scheme test and lifetime allowance lump sums

Members of schemes contracted out on the Reference Scheme Test basis seem to be prevented from taking a lifetime allowance excess lump sum.

The difficulty arises because in regulation 20(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. A lifetime allowance lump sum is not included in the list and it therefore appears that schemes contracted out under the Reference Scheme Test cannot pay a lifetime allowance excess lump sum at all.

One could argue that the position is the same under regulation 8 of the Protected Rights Regulations. Again, there is no reference to the lifetime allowance. However, this only has an impact on protected rights, so any excess over protected rights could be paid as a lifetime allowance excess lump sum.

There does therefore seem to be an anomaly and we have asked DWP to address it. ■

SPC comments on the Draft Registered Pension Schemes (Provision of Information)(Amendment) Regulations 2008

We have commented on the draft Registered Pension Schemes (Provision of Information) (Amendment) Regulations 2008.

Our response is available here.

The draft regulations are available here. ■

DWP consults on various draft regulations related to the pension levies

DWP has consulted on a number of sets of draft regulations related to the Pension Levies. For a copy of the drafts, please click here.

Our comments were as follows:-

Draft Occupational Pension Schemes (Levies)(Amendment) Regulations 2008

Notwithstanding the explanation for the proposed 17% increase for 2008 over that for 2007, this is on top of a close to 50% uplift which schemes had to face in 2007. Although the 2006 Administration Levy was frozen at the 2005 level, the latest proposal would still represent a compound rate of increase for individual schemes of around 20% per annum since 2005. From the perspective of individual schemes, this seems extremely excessive.

Draft Occupational and Personal Pension Schemes (General Levy)(Amendment) Regulations 2008

In the first revised table, the minimum levy amounts need to be amended as follows:

Change £340 to £330

Change £2,420 to £2,400

Change £9,400 to £9,500

Change £14,300 to £14,500

These figures are obtained by multiplying the minimum number of members in the relevant band by the per-member rate from the preceding band (adjusted for the lowest band to ensure - for consistency with previous years - that the minimum amount is a multiple of £10). We note that the published draft figures will in some cases involve a reduced levy with increased membership. For example, 9,999 members would result in a levy of £14,498.55 (£1.45 a head); increasing the membership by 1, to 10,000, would result in £14,300 which clearly cannot be the intention.

In the second revised table, the increases in the proposed per member rates relative to the current levels seem out-of-step for the 1,000-4,999 and 5,000 to 9,999 bands, compared to the others. The 1,000-4,999 band rate increases from £0.60 to £0.75 - representing a 25% increase - whilst the 5,000-9,999 band rate increases from £0.40 to £0.60, representing a 50% increase. The other band rates have all increased by around 35%. Assuming that this is an error - and we note that no such differential rate of increase applies to the first revised table (i.e. that for occupational schemes) - the following changes are required:

Change £0.75 to £0.80

Change £0.60 to £0.55

As in the first table, alterations are also needed for the minimum levy amounts in the second table, as follows:

Change £970 to £950

Change £3,800 to £4,000 if above suggestion on rates is accepted

Change £5,700 to £5,500 if above suggestion on rates is accepted,

or to £6,000 otherwise.

(As drafted, 9,999 members would give £5,999.40, whereas 10,000 members would result in a lower figure of £5,700.)

We also note that that the proposed increases for both tables represent, in effect, a 35% or so uplift, which appears excessive. Although this is only the first such increase in this levy since 2005, it is still large, although not to the same degree as the PPF Administration Levy (which has already had a number of uplifts since 2005).

Draft Pension Protection Fund (Payments to Meet Risk-Based Administration Costs) Regulations 2008

The term "the Board" should perhaps be defined.

In the regulation headed "Payments to meet certain costs", "the Pensions Act 2004" needs to be replaced by simply the defined term "the Act". ■

SPC builds its relationship with PADA

SPC is planning a durable and constructive relationship with the Personal Accounts Delivery Authority.

For a report on our meeting with PADA towards the end of last year, please click here. ■

SPC responds to pensions regulator consultation on code of practice on reasonable periods for dispute resolution

We have responded to the Pensions Regulator's consultation document on a code of practice on reasonable periods for dispute resolution.

The response is available here.

We covered the consultation document in **SPC News No. 5, 2007**. ■

SPC queries effective date for revised transfer regulations

In October 2007 DWP announced that the Government had decided to delay bringing the new pensions transfer regulations into force until October 1st, 2008.

We asked for an indication of when they would be published. Until we have seen the final regulations, we cannot make use of the additional time now allowed for implementation.

There is also one respect, in which the otherwise helpful delay in the coming into force of the regulations is, in fact, unhelpful. This relates to the changes to regulations set out in paragraphs 55 and 56 of the July 2007 consultation on draft regulations, which aimed to address a mismatch between what regulations currently require and the way in which money purchase schemes actually work for early leavers. In this case, it would actually be preferable to have the new regulations in force sooner rather than later and we asked whether DWP considered doing this, notwithstanding that the regulations in general will not come into force until October 2008.

DWP has explained that it is still working on the new regulations and its intention is to publish them as soon as possible. It has not committed itself to a date. Its solicitor has, however, had to give priority to the new Pensions Bill.

On our query as to whether the provisions on early leavers from money purchase schemes could be brought in before 1 October, it has replied that it would be very difficult to commence only the money purchase provisions. Its solicitor advises that some complicated redrafting would be required, which would further delay the publication of the regulations. ■

SPC comments on draft Internal dispute Resolution Procedures Amendment Regulations

We have commented on the draft Occupational Pension Schemes (Internal Dispute Resolution Procedures and Consequential and Miscellaneous Amendments) Regulations 2008.

Our comments are available here.

We covered the draft regulations in **SPC News No. 5, 2007**. ■

SPC contacts DWP with continuing questions and concerns regarding the draft EU portability directive

In the light of recent updates on the draft EU portability Directive (covered in **SPC News No. 6, 2007**), we have written to DWP, with a note of some continuing questions and concerns.

Our letter is available here. ■

FSDs now issued to Sea Containers

Financial Support Directions have been issued to Sea Containers Limited, giving the trustees the chance of a large claim against the company.

On 5th February 2008 the Determinations Panel of the Pensions Regulator issued Sea Containers Limited (SCL), a non-UK company, with Financial Support Directions (FSDs). The Pensions Regulator had determined to issue the FSDs in June 2007, but SCL appealed against the decision. SCL has now withdrawn its appeal, allowing the FSDs to be issued.

This case shows that The Pensions Regulator's moral hazard powers are effective, but have limitations. FSDs require a connected or associated company to provide financial support to a pension scheme in the same group, where the sponsor company is a service company or has insufficient funds and assets. The prospect of the FSDs has ultimately provided the trustees with the chance of obtaining significant funding for the scheme from the better resourced SCL rather than its penniless subsidiary, Sea Containers Services Limited (SCSL), the UK based service company which sponsors the scheme.

However, SCL is in Chapter 11 bankruptcy in the USA, and it remains to be seen whether the US Bankruptcy Court will approve the settlement. There is a possibility that SCL's other creditors might mount a challenge to the settlement, as it will reduce the pot of money available to them. Notwithstanding the need for the US Bankruptcy Court to approve the settlement, the issuing of the FSDs is still significant. Without the FSDs, the trustees' claim was against SCSL alone, a service company without cash or assets. With the FSDs, the trustees may have a claim against SCSL's parent, SCL, which is better resourced. If the US Bankruptcy Court approves the trustees' claim, the pension scheme will rank equally with SCL's other unsecured creditors in the Chapter 11 proceedings, instead of being the creditor of a poorly resourced service company.

FSA retail distribution review:

Discussion paper 07/1 - what SPC's members think

SPC considers this discussion paper to be extremely important, but we expect it to have significantly different impacts across the various sectors of SPC's membership and, indeed, the impacts would be different, depending on the specifics of individual businesses within a single sector.

We therefore encouraged SPC Members to make their own detailed responses.

However, we identified what we view as some core questions, on which we sought the views of Members in an electronic poll.

The questions and the results were are follows:-

Question 1: **Do you agree that those providing full advice across all services should be split into the two distinct categories of Professional and General Financial Planner?**

Opinion	Votes	%
No	10	52.63
Yes	9	47.36

Question 2: **Do you agree that the qualification requirements are set appropriately?**

Opinion	Votes	%
No	12	63.16
Yes	7	36.84

Question 3: **Do you agree there is sufficient incentive for advisers to want to be Professional Financial Planners?**

Opinion	Votes	%
No	11	61.11
Yes	7	38.89

Question 4: **Do you agree that those falling into the Professional Planning category should only be remunerated by fee (including Customer Agreed Remuneration)?**

Opinion	Votes	%
No	9	50.00
Yes	9	50.00

Question 5: **Do you agree there should be a grandfathering period into the relevant categories for advisers who do not have the necessary minimum qualifications?**

Opinion	Votes	%
No	12	70.59
Yes	5	29.41

Question 6: **Do you agree with defining the term 'independence' in terms of freedom from bias even if the advisers only select products from a limited range?**

Opinion	Votes	%
No	10	55.56
Yes	8	44.44

Question 7: **Do you agree it is helpful to re define the term 'fee-based' to mean any advisory remuneration derived from discussion with the customer?**

Opinion	Votes	%
No	11	64.71
Yes	6	35.29

Question 8: **Do you agree there is a need for a new category of Primary advice?**

Opinion	Votes	%
No	10	55.56
Yes	8	44.44

Question 9: **Do you agree that there would be benefits for consumers in introducing role profiles?**

Opinion	Votes	%
No	10	58.82
Yes	7	41.18

Question 10: Do you agree with enhancing the role of professional bodies and do you think this would make a difference to the financial advice sector?

Opinion	Votes	%
No	14	77.78
Yes	4	22.22

Question 11: Do you agree that a system of risk based financial resource requirements for personal investments firms will contribute to better consumer outcomes?

Opinion	Votes	%
No	10	55.56
Yes	8	44.44

Question 12: Do you agree that the ideas put forward help more consumers to access financial advice relevant to their needs?

Opinion	Votes	%
No	10	62.50
Yes	6	37.50

Question 13: Do you agree that the proposals set out can help address the current market problems which FSA has highlighted?

Opinion	Votes	%
No	10	58.82
Yes	7	41.18

We have supplied FSA with a copy of the results. ■

ASB discussion paper - the financial reporting of pensons

The Accounting Standards Board (ASB) has issued a discussion paper about how companies account for pensions.

Most comments immediately after the document's release focused on the recommendation to move to a risk-free basis for discounting pension liabilities. Whether this is based on gilt yields or swap yields (slightly higher in the UK), the effect would be an increase in the defined benefit obligation from its current level (if other factors are unchanged).

It seems clear that ASB would prefer the pension expense to be based on the actual return on assets rather than the "expected return on assets" as used currently. This is linked to a preference for the immediate recognition approach to actuarial gains and losses, though ASB continues to wrestle with the details of where in the accounts the gains or losses on liabilities should be shown.

The discussion paper is more equivocal about whether future salary increases should be included in defined benefit liabilities. A majority of ASB apparently favours not including future salary growth, but the issue is left open.

The discussion paper is the culmination of a lengthy ASB project. It is unlikely to lead to immediate changes to UK accounting. ASB intends the paper to inform the debate of the International Accounting Standards Board and Financial Accounting Standard Board on their pension projects. A discussion paper on the first phase of the IASB project is expected shortly. This is more limited in scope, but it will include consideration of the elements of pension expense – specifically whether an "expected return on assets" will continue to be included in profit and loss. It will also grasp the nettle of defined benefit versus money purchase benefit attribution. The IASB paper will lead to an exposure draft and then to an amendment to IAS 19. The current IASB target is to amend IAS 19 in 2011.

For a copy of the discussion paper, please click here.

For a summary, please click here.

We plan to respond to the discussion paper. ■

ADC 10/08 - further update on the disclosure of death registration information scheme

We have received a further update (see also **SPC News No. 6, 2007**) from the Office of National Statistics on the Disclosure of Death Registration Information Scheme, which has now been launched.

For a copy of the update, please click here. ■

Trustees who receive payment for acting as a trustee might be caught by new anti-money laundering requirements

New anti-money laundering requirements (The Money Laundering Regulations 2007) apply from 15 December 2007 to Trust or Company Service Providers (TCSPs).

A TCSP includes anyone who, by way of business, provides to third parties the service of acting as, or arranging for others to act as, a trustee.

HMRC will supervise and monitor these requirements which include:

- registering with HMRC by 1 April 2008
- applying to HMRC for certain persons involved in the business to be certified as fit and proper persons, by 1 April 2008
- operating anti-money laundering controls and reporting suspicious transactions, as of 15 December 2007.

HMRC has issued **guidance** on the issue.

Exemptions from the requirement to register with HMRC may apply if the trustee business is already regulated by one of the supervisory authorities (such as the Financial Services Authority) or professional bodies listed in Appendix 2 to the guide accessible here. These exemptions do not mean that the business does not need to comply with any anti-money laundering requirements, merely that the supervisory authority or professional body already has its own relevant policies which its regulated members must follow.

The consequences of failure to comply with the anti-money laundering requirements are severe. For example, failure to apply for registration, or for the fit and proper person test, by 1 April 2008 means that the trustee business must stop acting as a trustee or arranging for others to do so.

There are also civil and criminal penalties for trustee businesses which do not comply.

The new requirements apply to trustees who act as such by way of business, but the term "by way of business" is undefined. It seems clear that it would cover an independent professional trustee (whether corporate, partnership or individual). It is unclear whether it would also cover any trustee who receives payment. If so, it would make subject to the money laundering requirements many trustees who are not holding themselves out as running a trustee business and who do not consider themselves to be running such a business.

It seems unlikely that the legislation was intended to cover the common situation where a trustee acts for one trust, with which they have some connection, such as membership of the scheme or current or previous employment with the employer, and for which they receive some payment, the level of which is not negotiated by the trustee.

However the HMRC guidance for TCSPs does not cover this issue specifically. The relevant HMRC contact point is HMRC National Advice Service, Written Enquiries Section, Southend on Sea, Alexander House, Victoria Avenue, Southend, Essex, SS99 1BD. Its email address is Enquiries.estn@hmrc.gsi.gov.uk, and telephone number is 0845 010 9000. ■

About SPC

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

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

SPC's fundamental aims are:

(a) to draw upon the knowledge and experience of Members, so as to contribute to legislation and other general developments affecting pensions and related benefits, and

(b) to provide Members with services useful to their business.

The Society of Pension Consultants

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