



ISSUE No. 2, 2008
ISSUED IN MAY, 2008

in this issue ...

- PAGE 2 **Maureen Howe**
It is with great regret that we report the death in February, after a long illness, of Maureen Howe.
- PAGE 2 **SPC London Evening Meetings**
Details of forthcoming SPC London evening meetings and handouts from earlier meetings.
- PAGE 2 **New Members**
SPC has four new Members.
- PAGE 2 **PPF Announces Changes to Valuation Assumptions**
PPF has changed its assumptions for S.143 and S.179 valuations.
- PAGE 3 **Consultation Document on Good Practice when Choosing Assumptions for Defined Benefit Pension Schemes with a Special Focus on Mortality**
The Pensions Regulator has issued a consultation document on good practice when choosing assumptions for defined benefit pension schemes, with a special focus on mortality.
- PAGE 3 **DWP Consultation on a Revision of the Annuity Factors Employed by the Financial Assistance Scheme**
DWP has sought our comments on a revision of the annuity factors employed by the Financial Assistance Scheme.
- PAGE 4 **Pensions Regulator Consultation on the Regulation of Schemes in Wind-up and in a PPF Assessment Period**
The Pensions Regulator is consulting on the regulation of schemes in wind up and in a PPF assessment period.
- PAGE 4 **New Internal Dispute Resolution Law in Force on 6 April 2008**
Revised regulations on internal dispute resolution (IDR) were published on 13 March and came into force on 6 April 2008.
- PAGE 5 **SPC Response to the Draft Pension Protection Fund (Miscellaneous Amendments) Regulations 2008**
We have responded to the draft Pension Protection Fund (Miscellaneous Amendments) Regulations 2008.
- PAGE 5 **Pensions Regulator Consultation Document on Conflicts of Interest**
The Pensions Regulator has issued for consultation guidance for trustees on conflicts of interest.
- PAGE 5 **SPC Response to the Draft Personal Pension Schemes (Appropriate Schemes)(Protected Rights) (Amendment) Regulations 2008**
We have responded to the draft Personal Pension Schemes (Appropriate Schemes) (Protected Rights)(Amendment) Regulations 2008.
- PAGE 6 **The Pensions Regulator Publishes Revised Clearance Guidance**
The Pensions Regulator has published its final revised clearance guidance.
- PAGE 6 **SPC Expresses Cost Concerns on Disclosure of Death Registration Information Scheme**
- PAGE 7 **Briefing by the FSA Financial Services Practitioner Panel/FSA Smaller Business Practitioner Panel**
Tom Calvert-Lee, the Chairman of our Financial Services Regulation Sub-Committee, represented SPC at a briefing by the FSA Financial Services Practitioner Panel/FSA Smaller Businesses Practitioner Panel on February 8th 2008.
- PAGE 7 **Book Discount for SPC Members**
SPC Members can obtain a 10% discount on the second edition of Pensions and Family Breakdown, by David Davidson.
- PAGE 7 **Board for Actuarial Standards Publishes Exposure Drafts of a Conceptual Framework for Technical Actuarial Standards**
The Board for Actuarial Standards has invited our comment on exposure drafts of a conceptual framework for technical actuarial standards and a scope and authority of technical standards.

SPC News No. 2, 2008

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

⇒⇒⇒ (carla.smidt@spc.uk.com)

Maureen Howe

It is with great regret that we report the death in February, after a long illness, of Maureen Howe, formerly of Legal & General and a long-standing member of, and valued contributor to, SPC's Council.

Council observed a minute's silence in her memory at its March meeting and SPC has made a donation to Saint Raphael's Hospice in her memory. ■



The latest new members of SPC

- **Investec Asset Management**
London EC2
- **Paternoster UK Ltd.**
London EC4
- **Lawyers Pension Services Ltd**
Billericay, Essex
- **Howarths Finance Services**
Accrington ■

SPC London Evening Meetings

Details of forthcoming meetings are as follows:

Date	Subject	Speaker	Venue
May 29 2008	"Active Cash Management"	Gareth Quantrill (Scottish Widows)	Eversheds LLP, 1 Wood Street, London EC2V 7WS
June 16 2008	"I Wanna Live for Ever: The Challenges of Longevity for Pension Schemes"	Jane Beverley (Punter Southall)	Lovells, Atlantic House, 50 Holborn Viaduct, London EC1A 2FG

We are grateful to Eversheds for hosting the May meeting and to Lovells for hosting that in June.

Handouts are available for the following meetings:-

Date	Subject	Speaker
January 21 2008	Pensions De-regulation	Chris Lewin (former DWP independent external de-regulatory reviewer)
February 28 2008	Public Sector Pensions: Do the reforms go far enough?	Mark Belchamber (Hymans Robertson)
April 1 2008	Pension Buy-Outs and their Alternatives	Roger Mattingly & Jonathan Sarkar (HSBC Actuaries and Consultants)
May 1 2008	An update on Personal Accounts	Tim Jones (Chief Executive, PADA)

You can obtain a copy of each handout by clicking on the subject. ■

PPF announces changes to valuation assumptions

PPF has proposed changes to its assumptions for Section 143 and Section 179 valuations.

The questions raised by PPF and our responses are available by clicking [here](#).

PPF has now introduced the proposed assumptions without change. ■

Consultation document on good practice when choosing assumptions for defined benefit pension schemes with a special focus on mortality

The Pensions Regulator has issued a consultation document on good practice when choosing assumptions for defined benefit pension schemes, with a special focus on mortality.

The key points are:

- There will be more specific guidance on mortality, than (thus far) on other assumptions.
- The Regulator is challenging the mortality improvement basis typically used in past years – the associated press release says “It is the Regulator’s view that some projections that have been in common use can no longer be considered reasonable assumptions”.
- The guidance requires the baseline mortality assumption and allowance for future improvements to be evidence-based, with the allowance for improvement having regard to generic available data (unlikely to be scheme specific except for very large schemes) and recently published trends.
- Baseline assumptions are expected to be “prudent”, ie with

a margin against best estimate. Improvement assumptions are expected to be “reasonable, based on the most up-to-date evidence and currently accepted projection methodologies”.

- There will be a new trigger for the mortality improvement assumption of “long cohort” (a recognised improvement projection) which will typically increase liabilities by about 5% compared to the “medium cohort”, which has been commonly used thus far, all other things being equal.
- Moreover, the long cohort table may require further adjustment although this is financially less significant.

The implications of these changes are:

- The guidance is “good practice” – the Regulator is not stipulating these assumptions as mandatory.
- These are triggers and not targets for the mortality assumptions. As with the other Regulator triggers (eg recovery periods), if assumptions fall outside them it could attract further scrutiny, but some schemes choose to trigger and the Regulator does not always intervene.

- The guidance is proposed to apply to recovery plans based on valuations with effective dates from March 2007, and so is to a considerable extent retrospective, catching significant valuation work in progress.
- The guidance applies both to the overall strength of the assumptions themselves and to the way in which they are described – the Regulator seeks greater transparency in these matters.

The guidance asserts that any extra funding cost on account of this guidance is still subject to the employer affordability criterion, which is an acknowledgement that in some cases adopting these changes may require a longer recovery plan in order to mitigate the extra contribution burden.

The consultation document is available by clicking [here](#).

At the time of preparing this issue of SPC News, our response was under preparation. ■

DWP consultation on a revision of the annuity factors employed by the Financial Assistance Scheme

DWP has sought our comments on a revision of the annuity factors employed by the Financial Assistance Scheme.

You can obtain a copy of its consultation document by clicking [here](#).

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

New internal dispute resolution law in force on 6 April 2008

Revised regulations on internal dispute resolution (IDR) were published on 13 March and came into force on 6 April 2008. They apply to complaints made on or after 6 April 2008.

The intention behind the new regulation, is to simplify the IDR process and give trustees more flexibility. Although trustees may now choose to make wide ranging changes to their IDR process, there are some changes which schemes must make now in order to comply with the new law:

- Schemes must acknowledge a complaint as soon as reasonably practicable, giving the Pensions Advisory Service contact details and advising that it can assist.
- There is a new additional category of complainant - someone who, on the member's death is entitled to scheme benefits, but who is not financially dependent on the member. Schemes will need to amend as necessary any relevant scheme literature.

- The prescribed time limit of two months for a complaint to be decided upon and notified to the complainant at each stage of the two stage process is replaced by separate reasonable periods - one of four months to make the decision and an additional period of 15 working days to notify the complainant of the decision.
- See "Reasonable Periods" below for the implications for schemes of this new 15 working day reasonable period.
- Schemes must, in the decision notice, give the Pensions Ombudsman contact details, and explain his role.

Reasonable periods

Trustees currently using a two stage process, and wanting to retain it, can do so. However, the new reasonable periods will still have implications. In particular, the date on which the scheme actually makes the decision will take on a new importance and this

might mean that trustees might have a shorter period to deal with a complaint than they might realise.

On the face of it, the two month time period currently used may seem to fit in with the four month reasonable period suggested by the Pensions Regulator. However, the new reasonable period for notifying the complainant of the decision effectively introduces a new time limit - 15 working days from making the decision - which may effectively shorten the overall period for dealing with a complaint. This can be illustrated by the following example:

Were the current law not changed on 6 April, a scheme receiving a complaint on 7 April 2008 would have two months to decide on the complaint and notify the complainant, taking it to 7 June. The date on which the decision is made is not relevant.

Under the new law, a scheme receiving a complaint on 7 April 2008 might be able to have a reasonable period of four months to decide, taking it to 7 August. It would then have a further 15 working days to notify, taking it to 28 August. However, if the decision were straightforward and made quickly, on 10 April, that date would trigger the reasonable period of 15 working days to notify, taking it to 1 May. This is much earlier than the two month period which currently applies.

The reasonable periods are a long stop, not target times, and the Regulator would expect trustees to make and notify a decision within shorter periods if they can. The Regulator also acknowledges that circumstances may be such that a scheme cannot deal with a complaint within this time, for example where there is an element outside its control. Trustees will be expected to demonstrate to the Pension Regulator the appropriateness of the time periods they use and that they have tried to meet the reasonable time periods. ■

Pensions Regulator consultation on the regulation of schemes in wind up and in a PPF assessment period

The Pensions Regulator is consulting on the regulation of schemes in wind up and in a PPF assessment period.

For a copy of its consultation document please click [here](#).

For a copy of our response, please click [here](#). ■

SPC response to the draft Pension Protection Fund (Miscellaneous Amendments) Regulations 2008

We have responded to the draft Pension Protection Fund (Miscellaneous Amendments) Regulations 2008.

Our response is available by clicking [here](#). ■

SPC response to the draft Personal Pension Schemes (Appropriate Schemes) (Protected Rights) (Amendment) Regulations 2008

We have responded to the draft Personal Pension Schemes (Appropriate Schemes) (Protected Rights) (Amendment) Regulations 2008.

Our response is available by clicking [here](#). ■

Pensions Regulator consultation document on conflicts of interest

The Pensions Regulator has issued for consultation guidance for trustees on conflicts of interest. Its aim is to provide practical assistance to trustees in relation to identifying, monitoring and managing conflicts, which the Regulator sees as being integral to good scheme governance.

It covers five key principles - things trustees should be able to do:

- understand the implications of conflicts of interest
- have a conflicts of interest policy
- identify conflicts
- evaluate, manage and avoid them
- manage adviser conflicts

The Regulator sees having a conflicts of interest policy as being key to the management of conflicts. The guidance gives examples of real cases and a conflicts register and conflicts policy (or protocol) but acknowledges that these will need to be tailored to each scheme.

It also suggests various ways of managing a conflict, and acknowledges that the process will depend on the scheme, the circumstances at the time and the nature of the conflict. There is heavy emphasis on the need for trustees to take legal advice.

The Regulator also states that it will take action if a conflict presents a significant risk to member benefits. It already has power to remove trustees, and to appoint an independent trustee if it thinks necessary. A late amendment to the Pensions Bill, currently going through Parliament, would, if enacted, allow the Regulator to do so if it thinks reasonable.

You can obtain a copy of the consultation document by clicking [here](#).

At the time of preparing this issue of SPC News, we had the document under consideration. ■

SPC expresses cost concerns on Disclosure of Death Registration Information Scheme

We reported the launch of the Disclosure of Death Registration Information Scheme by the Office for National Statistics in **SPC News No. 6 2007**.

The information scheme is potentially of interest to some SPC Members, which provide scheme administration services and sometimes need to check again death records whether an individual has died.

We have, however, looked into the cost of using the service and, if we understand it correctly, it costs at least £57,000 to use it. There then seems to be two further fees of approximately £5,000 and £14,000.

Even for the largest pension scheme administrators, this adds up to a considerable sum in relation to the likely elimination of fraud resulting from the expenditure. We have therefore explained to the Office for National Statistics that, although the scheme itself is in principle useful, we would expect that, due to the pricing, very little use would be made of it by SPC Members.

We have suggested that a more realistic total price would be in the region of one tenth of the current charges. ■

The Pensions Regulator publishes revised clearance guidance

The Pensions Regulator has published its final revised clearance guidance.

There have been no significant changes from the draft guidance published for consultation in September 2007. The Regulator has confirmed that the guidance moves from a prescriptive to a more principles based approach. Clearance will remain an optional procedure.

In response to consultation, the Regulator has acknowledged that the scope of the draft guidance, which included detail on covenant and governance issues, was too wide. The final guidance retains some of these elements, including detail on covenant assessment, but detailed content on covenant monitoring, for instance, has been removed. The guidance does set out an expectation that trustees will 'more often than not' need to obtain independent advice on the employer covenant in respect of the clearance event. Indeed, the Regulator warns that, if trustees fail to obtain independent advice, not only will they need to explain why they feel it is not required but this is also likely to delay the application process. The Regulator also states that it intends to issue separate material regarding employer covenant later in the year.

An outline of the main changes from the previous guidance, in place since April 2005, is as follows:

- More detail is given on the need for trustees to seek mitigation (compensation) where otherwise the corporate event would undermine the financial condition of the scheme, and further information as to what that mitigation might include.
- Updated information on the calculation of the relevant deficit is included, which is now in most cases the higher of the deficit compared to the technical provisions, the FRS17/IAS19 deficit or the section 179 (PPF) deficit. In certain circumstances, for instance where the scheme is in wind up or in prospect of wind up, or there are "going concern" issues in relation to the employer, a stronger actuarial basis (i.e. "buyout") may be appropriate.
- The classification of corporate events is simplified.
- The definition of employer-related events, which could be "type A" events, is broadened. (These are the most acute risks potentially subject to clearance because they have a materially detrimental impact on the scheme's financial condition).
- A fuller focus on certain scheme-related events is included (for example, debt compromises and debt apportionment following employer cessation in multi-employer schemes); and
- Clearer steers to help the trustees and employer to determine when corporate events are viewed as material. ■
- A shift to a principles-based approach, encouraging all parties to focus on the real impact of the event on the scheme.

Briefing by the FSA Financial Services Practitioner Panel/ FSA Smaller Business Practitioner Panel

Tom Calvert-Lee, the Chairman of our Financial Services Regulation Sub-Committee, represented SPC at a briefing by the FSA Financial Services Practitioner Panel/FSA Smaller

Businesses Practitioner Panel on February 8th 2008.

You can obtain a copy of his notes and of the briefing notes prepared by the panels by clicking [here](#). ■

Book discount for **SPC** members

SPC Members can obtain a 10% discount on the second edition of Pensions and Family Breakdown, by David Davidson.

For details, please click [here](#). ■

Board for Actuarial Standards publishes exposure drafts of a conceptual framework for technical actuarial standard

The Board for Actuarial Standards has invited our comment on exposure drafts of a conceptual framework for technical actuarial standards and a scope and authority of technical standards.

You can obtain copies by clicking [here](#).

We currently have the exposure drafts under consideration. ■

The Society of Pension Consultants

St Bartholomew House
92 Fleet Street
London EC4Y 1DG

TELEPHONE: 020 7353 1688

FACSIMILE: 020 7353 9296

EMAIL: john.mortimer@spc.uk.com

WEB: <http://www.spc.uk.com>

SPC News is produced by the SPC Secretary,
Oonagh McDevitt (Eversheds)
and contributors from Mercer

**Copyright. Not to be reproduced
without permission.**

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

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.