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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 Carla Smidt at SPC

⇒⇒⇒ (carla.smidt@spc.uk.com)

SPC contacts

SPC has continued to participate in the Conservative Party's pension advisory group. The most recent meeting was on February 10th, 2010.

We also continue to participate in the group advising PPF on its methodology on GMP equalisation. The most recent meeting was on March 2nd. ■

SPC London Evening Meetings

Details of our next London meeting are as follows:

Date	Speakers	Subject	Venue
April 19th 2010	Terry Ritchie and Philippa Aaronson (Capita Hartshead)	Enhanced Transfer Values	JLT Benefit Solutions, 6 Crutched Friars, London EC3N 2PH

This meeting will be kindly hosted by Jardine Lloyd Thompson Benefit Solutions. ■

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 2009
- SPC News Issues for 2009. ■

SPC committee membership update

SPC has reviewed the memberships of all its committees for 2010 and details are available by clicking [here](#). ■

SPC receives response from HMRC to its letter on anti-forestalling legislation

HMRC has responded to our letter of October 2009 on the anti-forestalling legislation associated with the forthcoming restriction of higher rate tax relief.

Our October letter is available by clicking [here](#).

In responding to our question, about changing the contribution rate in an employer sponsored defined contribution scheme, HMRC acknowledges that it provided conflicting advice to two SPC Members. It explains that the Registered

Pension Schemes Manual has guidance about the making of annual options for contribution rates at RPSM15103680. This guidance follows the answer that HMRC gave in relation to the situation described by the second SPC Member in our October letter, that making an option on or after April 22nd 2009, within a framework of options, which was in place before that date, would constitute an agreement made on or after April 22nd 2009, rather than an agreement made before that date.

HMRC noted our comments in respect of our salary sacrifice examples. The first example concerned an individual, who makes a post-April 22nd 2009 salary sacrifice, but continues with the same level of salary sacrifice, which had been in place immediately before the making of the latest sacrifice. The other example concerned an individual who might continue with a level of pre-April 22nd 2009 salary sacrifice, as a result of the operation of a "do nothing" default option. ■

→ HMRC suggest that, although both individuals in our examples would be continuing with a level of salary sacrifice, which had been in place before April 22nd 2009, the individual who continued with the same level of sacrifice as a result of making an agreement on or after April 22nd 2009 would have to include that salary sacrifice as part of the relevant income calculation. This is because the circumstances of that individual would be such that a new sacrifice scheme would have been made on or after April 22nd 2009. The circumstances for the individual who "did nothing" would, HMRC suggests, be different. Because of that lack of action, the existing pre-April 22nd 2009 salary sacrifice scheme would continue, rather than a new arrangement being made on or after that date.

HMRC considers that, although both individuals would be in the same position, as far as the continuing level of salary sacrifice is concerned, it would be the different circumstances of each individual, which would allow for the salary sacrifice not to be taken into account in relation only to the individual, whose existing level of sacrifice is maintained as a result of the operation of the "do nothing" default option.

DWP consults on proposed revision of Financial Assistance Scheme synthetic buy-outs

DWP is consulting on the proposed revision of the Financial Assistance Scheme synthetic buy-out basis.

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

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

SPC invited to comment on Pensions Regulator proposals for regulation of record keeping: measuring member data

The Pensions Regulator has invited our comments on proposals for regulation of record-keeping: measuring member data.

For a copy of the Regulator's consultation document please click [here](#).

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

Pensions Regulator's review of retirement information for dc members

We have written to the Pensions Regulator on its review of retirement information for dc members (available by clicking [here](#)).

We consider that some of the public comment arising from the review has had a disappointingly negative slant, particularly given the small sample size for the review and the relative lack of granularity in the data, e.g. it is not possible from this review to contrast data on access to advice with open market option take-up.

It would also have been helpful to have had details on the benchmarks used to determine good practice.

While there is room for improvement, the percentage of trustees complying in the three areas considered was generally very high, particularly in the area of offering the open market option. As the review notes, while significant non compliance with the retirement disclosure regulations is regrettable, only 6% of schemes were non compliant

to such a degree as to need to be passed to case work teams for further investigation.

However, we found that the most striking area was that concerned with the large percentage of members, who did not exercise the open market option. The review highlights this as a disappointing area. There are likely to be the three main reasonable explanations for non exercise of the open market option. →

- ➔ An accumulated fund too small to be commercially attractive to other annuity providers.
- Use of defined contribution additional voluntary contributions for commutation within a defined benefit scheme.
- Guaranteed annuity rates offered by a scheme provider, which could not

be improved upon, through exercise of the open market option.

While all three are referred to in the report, they are not, apparently, recognised as potentially quite significant.

A recent report by the Pension Income Choice Association (Optimising Value in Retirement) provides some useful analysis on small accumulated funds.

The report shows that, of all annuities purchased in 2008, 23% (approximately 110,000) were for funds of less than £50,000 and a further 70,000 were for funds of less than £10,000. This means that just over 35% of cases were virtually excluded from the open market option.

We have had a useful meeting with the Pensions Regulator, to follow up our comments. ■

SPC responds to draft PPF (Miscellaneous Amendments) Regulations 2010

We have responded to the draft PPF (Miscellaneous Amendments) Regulations 2010.

For a copy of the response please click [here](#).

We reported the publication of the draft regulations in [SPC News no. 7, 2009](#). ■

SPC comments on Pensions Regulator consultation on its trustee register

We have submitted comments on the Pensions Regulator's consultation on its trustee register, reported in [SPC News no. 1, 2010](#).

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

DWP's authorised payments regulations

In [SPC News no. 8, 2009](#) we reported a defect in DWP's regulations designed to bring its requirements into line with HMRC's authorised payments regulations.

DWP acknowledged the defect, but we sought clarification that the necessary amendment to regulations would be retrospective to the entry into force of the original regulations.

DWP has confirmed that the amendment to regulation 60 of the Occupational Pension Schemes (Contracting-out) Regulations 1996 is effective from April 2010 and is not backdated to December 1st 2009. However, in cases where commutation of GMPs has already taken place (on, or after, December 1st 2009) these payments should have been treated by HMRC as authorised payments and would

not have incurred any additional tax charge. This is because the rules in the Registered Pension Schemes (Authorised Payments) Regulations 2009 do not mention any requirement within DWP legislation. Therefore, provided that any payments met the requirements within Part 2 of the Registered Pension Schemes Regulations, they would have been treated, from HMRC's perspective,

as authorised payments. As there is a mistake in the drafting of the DWP regulations, and the policy intention was for these commuted sums to be treated as authorised payments, DWP does not expect HMRC or the Pensions Regulator to take any action. However, further commutations of GMPs should not have been made until the amendment to DWP legislation took effect. ■

SPC responds to DWP on disclosure

We have responded to DWP's further consultation on disclosure of information, which we reported in [SPC News no. 1, 2010](#).

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

SPC responds to Pensions Regulator on internal controls

We have responded to the Pensions Regulator's consultation on revised guidance on internal controls, reported in **SPC News no. 8, 2009**.

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

SPC responds to actuarial consultations

We have responded to Board for Actuarial Standards consultations on modelling and transformations, both reported in **SPC News no. 1, 2010**.

For our response on modelling, please click [here](#) and for that on transformations, please click [here](#). ■

SPC responds to BIS call for evidence on the default retirement age

We have responded to the Department for Business, Innovation and Skills call for evidence on the default retirement age.

On the face of it one might view this call for evidence as only of peripheral interest in the pensions field, with the key significance being in the employment area.

There are, however, some significant implications in the pensions field.

It would seem inevitable that there would be implications for the pensions exemptions in the anti-age discrimination legislation. The removal of the default age would, for example, make it more difficult to justify setting an age of, say, 65, when employees could be required to retire.

It is also relevant that the benefit statements and statutory money purchase illustrations, which pension schemes produce, are founded on target retirement dates, the concept of which would perhaps be less tenable in

an environment without a default age.

Funding of defined benefit schemes similarly places reliance on the existence of target dates.

On a more general level, it would not be helpful if the ending of the default retirement age created an impression among employees that they could retire when they liked and that processes would exist for providing benefit statements at essentially random ages and intervals.

There are also implications for the auto-enrolment process planned to be launched in 2012. Part of the framework for auto-enrolment is that employees must not be required to make a decision. There is, therefore, the need for a default fund to be available for those who make no decision. If there was no fixed "retirement" age for a scheme, and if members could not be allowed to choose it on joining (to meet the 2012 requirements), either their employer or the scheme provider

would need to set a default. We imagine that existing personal pension providers might seek to agree the default age with employers as part of setting up a scheme, and we assume that the National Employment Savings Trust would seek to do the same. Given that statutory money purchase illustrations must be provided, and need to include an assumed retirement date, it might be most straightforward to adopt the age assumed for illustration purposes as the default age under a scheme. The challenge would be in ensuring that individuals understand that any plans of their own on a retirement date might not be consistent with a default age derived from the preparation of statutory money purchase illustrations.

In so far as the default retirement age was removed, or changed, and this led to the need to change pension processes, there would be costs, which we doubt would be justified by the benefits which would arise for individuals. ■

Financial Reporting Council: consultation on the revised UK corporate governance code

The Financial Reporting Council is consulting on the revised UK corporate governance code.

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

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

SPC invited to comment on Financial Reporting Council consultation: a stewardship code for institutional investors

The Financial Reporting Council is consulting on a stewardship code for institutional investors.

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

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

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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.