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⇒⇒⇒ (carla.smidt@spc.uk.com)

Kevin LeGrand named as new SPC president

Council has elected Kevin LeGrand to the position of President-Elect.

He will assume the Presidency from Duncan Howorth on June 1st 2010.

Kevin is Principal and Head of Technical Services at Buck Consultants and has more than 30 years experience working on technical issues in the world of pensions. He has sat on the SPC Council for the past 12 years, and has represented the SPC on other bodies, including the Occupational Pension Schemes Joint Working Group.

Kevin LeGrand said:

"SPC remains absolutely committed to its vital role shaping future policy development on behalf of members; I look forward to ensuring that SPC remains at the forefront of the movement

to shape and develop a new system for the future.

"If we are to avoid a future pensions crisis, the decline in provision must be addressed as soon as possible. It will not be easy; there is no single solution, no one Big Idea that will at a stroke solve the problem. Rather, it will take a concerted effort, on a number of fronts, and involving a number of responsible parties, to build a new system.

"I would like to pay tribute to outgoing President, Duncan Howorth, for his significant contributions and leadership over the past two years, during which time the SPC has widened the scope and focus of its services to reflect the movement away from the traditional employer-sponsored occupational pension scheme model." ■



The latest new members of SPC

- **Cardano**, London EC4
- **European Financial Planning**, Gibraltar
- **Just Retirement**, Reigate

SPC London Evening Meetings

Details of our next London meeting is as follows:

Date	Speakers	Subject	Venue
May 24 th 2010	Mandy Basham and Nigel Barlow (Just Retirement)	An Update on Annuities and At-retirement Processes	JLT Benefit Solutions, 6 Crutched Friars, London EC3N 2PH

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

Handouts are available for the following meeting and can be obtained by clicking on the subject.

Date	Speakers	Subject
April 19 th 2010	Terry Ritchie and Philippa Aaronson (Capita Hartshead)	Enhanced Transfer Values

What's being read on the SPC website

[Here](#) is the latest summary of hits on the SPC website, presented to the SPC PR Committee. ■

SPC Roundtable: Focussing on DC - Challenges for Investment and Governance

SPC held another in its successful and well attended series of Roundtables for members on March 17th 2010.

The theme of high level discussion among senior policy makers within SPC members was "Focussing on DC: Challenges for Investment and Governance".

Our guest facilitator was Steve Folkard (Chairman of the ABI Pensions & Savings Strategy Committee and Head of Pensions and Savings Policy at AXA Life).

Discussion continued informally over lunch. ■

HM Treasury/ HMRC consultation: implementing the restriction of pensions tax relief

We have written to the Exchequer Secretary to the Treasury, on the outgoing government's proposals for implementing the restriction on higher rate tax relief.

Our consideration of the consultation questions in the government's consultation on implementing the restriction and our participation in a number of stakeholder workshops have led us to conclude that the approach set out in the consultation document is an inappropriate means of addressing the government's policy aim of ensuring that pensions tax relief remains affordable.

It also runs counter to the simplified, "single regime" approach introduced by the government through the Finance Act, 2004.

Every occasion on which we have considered the proposals has unfortunately served only to strengthen our view that they might be capable of improvement, but can achieve neither fairness nor simplicity.

The approach is potentially unfair to individuals (for example in its effect on people with fluctuating earnings) and would cause considerable extra administrative complexity for schemes (for example the proposed scheme pays

SPC contacts

SPC has had an informal meeting with officials from the Pensions Regulator, focusing on enhanced transfer values. ■

Who's writing about SPC

[Here](#) is the latest summary of SPC press coverage, also presented to the SPC PR Committee. ■

HMRC releases draft Finance Bill clauses on special annual allowance

HMRC has released for comment draft Finance Bill clauses relating to the special annual allowance.

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

A copy of our comments is available by clicking [here](#). ■

arrangements and the annual valuation process for defined benefit schemes).

We therefore suggested that urgent consideration should be given to adopting a more straightforward approach to achieving the policy aim. ➔

➔ One possibility would be an appropriate reduction in the annual allowance.

It might also be possible to fairly apply a restriction by making a reduction at the point benefits are crystallised, by setting a personal lifetime allowance. The process for doing this could be activated once a member's annual earnings exceed £130,000. The personal lifetime allowance set, could be so that one valuation is required and the allowance effectively protects accrual up to this point.

The government's response to its consultation, published on Budget Day, indicated that it intended to proceed with its proposals largely as originally presented.

We wrote to the Exchequer Secretary, strongly suggesting that the legislation implementing the proposals was not rushed through before the General Election, given the extreme complexity of parts of them.

We also submitted a detailed response to the consultation. For a copy please click [here](#).

In our general comments we emphasised the same points as we raised specifically with the Exchequer Secretary

We also observed that the restriction on higher rate tax relief further significantly undermines confidence in the government's willingness to support funded pension provision, because it further undermines the EET treatment of pensions, by taxing some employer contributions as effectively benefits in kind. Indeed, where there is a Lifetime Allowance charge at retirement, the tax-free investment returns which apply during the accumulation phase, are effectively clawed back, so that high-earners face the real prospect of a TTT pension saving system. There is plenty of scope for eroding the position further by moving the benefit in kind charge further down the income scale, by reducing the "gross income" and "relevant income" levels below £150,000 and £130,000 respectively, or by failing to index these levels to changes in earnings inflation over time.

The proposals incorporate a significant "cliff edge", in that, for example, an individual with "relevant income" of £129,999 could be considerably better off, after tax, than someone with a marginally higher "relevant income" figure. It would be preferable and fairer to instead restrict pensions tax relief by reducing the annual allowance.

There is a general lack of clarity around how this charge would interact with other pensions legislation such as the annual allowance, the lifetime allowance, taxation of income from

pension savings and pension sharing on divorce. The interactions of these elements are vital to the long term fairness of these proposals, the level of additional complexity they will cause and, ultimately, the impact they will have on pension scheme members.

The impact assessment presented as part of the consultation document significantly understates the cost to pension schemes and their sponsoring employers of the proposals and gives no recognition to the resources deployed by the Treasury and HMRC in developing these measures. ■

Other budget related announcements

The main pension related proposals announced on Budget day, which affect companies and individuals, in addition to those on the restriction of higher rate tax relief, are:

- There are no new changes to the rates of National Insurance contributions, income tax or corporation tax. Personal allowances remain at their 2009/10 amounts (although gradually withdrawn for individuals with income above £100,000) and the new 50% rate will apply to those with income above £150,000.
- The nil rate band for Inheritance tax will be frozen at its current level of £325,000 until the end of the tax year 2014/15.
- The freezing of the rates of the Annual and Lifetime Allowances until April 2016 has been confirmed. The government is open to proposals for further simplification of the rules

regarding commutation of small pension pots.

- The government is continuing to seek to prevent or reduce tax avoidance. There is a proposal to extend the current regime of Disclosure of Tax Avoidance Schemes to include Inheritance Tax. In addition, legislation will be introduced in the forthcoming finance bill to 'strengthen and improve' the regime. In particular, action will be taken to prevent attempts to avoid tax and National Insurance contributions through the use of Employee Benefit Trusts. Anti-avoidance legislation against these vehicles will take effect from April 6th 2011.
- Finally, measures will be taken to allow the National Employment Savings Trust to register with HMRC for tax purposes and to be subject to the same tax rules as other registered pension schemes. ■

Changes to Employer Debt Regulations

Regulations, which make changes to the employer debt regime, have been laid before Parliament, taking effect from April 6th 2010.

The Regulations were issued after a consultation in September 2009. They introduce two new easements, the restructuring easement and the de minimis easement. The easements only apply if both the exiting employer and the receiving employer are in the same multi-employer scheme and they each employ at least one defined benefit active member. The receiving employer has to be an associated employer of the exiting employer or the exiting employer (under a different legal status). The government has removed the requirement in the consultation draft, that the receiving employer has to have its head office in the UK.

Where the easements apply, all the liabilities attributable to the exiting employer will become liabilities attributable to the receiving employer instead. The exiting and receiving employer may be required by the trustees to meet the costs arising from the easements.

Restructuring easement

For the restructuring easement to apply, the trustees have to be satisfied, amongst other things, that the receiving employer is at least as likely as the exiting employer to meet all the liabilities in the scheme attributable to the exiting employer, and will continue to meet all its own liabilities under the scheme. This test is not intended to be a snapshot comparison and the regulations are intended to contain an additional requirement, that the trustees must consider, amongst other things, the covenant of the receiving and the exiting employer.

Both the exiting employer and the receiving employer must provide the trustees with relevant information on request.

De minimis easement

This applies where the trustees are satisfied of, amongst other things, the following:-

- the scheme assets are at least equal to the protected liabilities of the scheme on the basis of the most recent section 179 valuation; and
- the number of scheme members, who have defined benefits as a result of pensionable service with the exiting employer, is either less than three or less than 3%; and
- in a rolling period of three years, this easement applies to less than

7.5% of scheme members who have defined benefits in every three rolling year period (or five members, whichever is greater); and

- the total annual amount of accrued pensions in respect of these members must not exceed £50,000.

These easements can be invalidated within six years and a debt triggered in certain circumstances (such as where the exiting or the receiving employer provided the trustees with incorrect or incomplete information and the trustees think that they would have made a different decision had they received the correct information). ■

SPC responds to Pensions Regulator: revised guidance on internal controls

We have responded to the Pensions Regulator's consultation on revised guidance on internal controls.

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

Our perception of the revised text is that, in fact, it represents a move away from guidance, in the real sense of the word, towards a more detailed and prescriptive exposition of the Pensions Regulator's expectations on internal controls.

We could envisage as a consequence that the Pensions Ombudsman would consider it justified to set higher standards in cases which it considers, leading to a greater likelihood of findings of maladministration.

It is not clear why the guidance is viewed by the Regulator as being particularly relevant to smaller schemes. Much of the material is relevant to schemes of any size, or perhaps more specifically to advisers to schemes, given some of the detail which it contains.

We note that the document is intended primarily to be web based. It is helpful to have well thought out web based material, but it is also important to keep in mind that it is still very common, and is likely to remain so for some time, for readers to print off parts of web based documents and read them as hard copy, and to design documents to cater for this. ■

SPC invited to comment on BAS exposure draft of a pensions technical actuarial standard

We have been invited to comment on the exposure draft of the Pensions TAS. For a copy please click [here](#).

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

SPC responds to DWP consultation on Financial Assistance Scheme guidance

We have responded to the DWP consultation on draft FAS guidance relating to the transfer of pensions scheme assets to the government.

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

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

SPC queries aspects of DWP legislation

The SPC Administration Committee has corresponded with DWP on two areas of its legislation relating to Guaranteed Minimum Pensions.

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

The Committee expects that SPC Members will embrace a range of practice relating to the postponement of GMPs, not all of which will match DWP's position set out in the correspondence. ■

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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.