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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)

Last chance to book for the SPC Dinner 2010



November 3rd
Dorchester Hotel, London W1
7.00 pm for 7.30 pm

This year's SPC Dinner promises to provide excellent food and entertainment and, in keeping with one of SPC's key roles, represents a peerless networking opportunity to meet with fellow industry professionals.

Key Information is:

- **Principal Speaker**

Tim Jones (Chief Executive, NEST Corporation)

Kevin LeGrand (SPC President and Principal and Head of Technical Services at Buck Consultants) will also speak.

- **Presentation of the "SPC Journalist of the Year Awards"**

These awards will recognise one journalist from each of the

national press and pensions trade media, who has made an outstanding contribution to pensions journalism in 2010, as voted by SPC members.

- **Venue**
The Dorchester, Park Lane, London W1

Tickets are £160.00 per head and feedback from previous years' Dinners indicates that this is a modest cost, which can be re-paid many times over in terms of the useful networking opportunities,

which exist to strengthen your business relationships. The price includes pre-dinner cocktails, a five-course meal, half a bottle of wine with dinner, and a liqueur with coffee.

As ever, we are keen to encourage "new blood" at the Dinner and ensure that it continues to offer the broadest possible range of networking opportunities for those attending. To that end, if your organisation has never previously been represented at the Dinner, the person making the booking will benefit from a special price of £130.00, as will one additional guest.

For a booking form, please click [here](#).

What's being read on the SPC website

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

The latest new Members of SPC are:

- **Greenberg Traurig Maher LLP, London EC3**
- **Professional Pensions and Investments Limited, Salisbury**



SPC Contacts

Nigel Howarth (Chairman, Administration Committee), represented SPC at a Treasury meeting in July, to discuss information requirements under a possible alternative approach to restricting higher rate pension taxation relief.

Kevin LeGrand, SPC President, represented SPC at the first meeting of the Pensions Regulator's Communications Forum, also in July. The aim of the Forum is to assist the Regulator in fulfilling its new role under the Employer Duties regulations associated with the 2012 pension changes.

Joanne Hull (Chairman, Financial Services Regulation Sub-Committee), represented SPC at an FSA Practitioner Panel and Smaller Business Practitioner Panel meeting, again in July. ■

SPC London Evening Meetings

Details of our next London meeting are as follows:

Date	Speakers	Subject	Venue
October 26 th 2010	Simon Hill (Head of Investment Research, Buck Consultants)	Medium Term Asset Allocation	America Square Conference Centre, 1 America Square, 17 Crosswall, London EC3N 2LB

For a booking form, please click [here](#).

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

Date	Speakers	Subject
September 20 th 2010	Tom Berry (Planning and Saving for Later Life Team, DWP)	Moving towards 2010 – Engaging Individuals and Employers

The meeting was kindly hosted by Allen & Overy. ■

Definition of an employer under Employers' Duties Regulations

We have corresponded with DWP on the definition of an employer under the Employers' Duties (Implementation) Regulations 2010.

Our question related to staging dates for group companies with a number of subsidiary employers and PAYE schemes.

As an example, take a group company with 20,000 employees. Potentially, therefore, February 1st 2013 would be the staging date under the regulations. However, if the group had ten different PAYE schemes, would the largest PAYE scheme trigger auto-enrolment? For example, if the largest PAYE scheme had 7,000 employees, would this mean a staging date of April 1st 2013 for the whole group or for that single subsidiary?

The same question applies in principle

to members of public sector schemes, where employees are employed by different local authorities. Would auto-enrolment apply by local authority or would the employees be grouped by profession?

DWP agreed that staging commencement dates will depend on the set up of the group company and its PAYE scheme. It indicated that:

- If the company had just one PAYE scheme for all of the organisations, there would be just one staging date based on the 20,000 employees within that one scheme.
- If the group company acts as one employer, the largest PAYE scheme within the group would act as the trigger for all the other PAYE schemes within the organisation. In our example, if the largest PAYE

scheme in the organisation had 7,000 employees, this would trigger auto enrolment for the whole group.

- If companies in the group are separate employers with separate PAYE codes then each company's individual auto-enrolment date would fall according to the size of the individual PAYE schemes within those organisations.

DWP observed, however, that it has commissioned a review into making auto-enrolment work. This review is considering the scope of proposed new duties on employers to auto-enrol their employees into a workplace pension and whether the plans inherited from the previous government are the best approach to support the introduction of auto-enrolment. ■

Treasury/HMRC discussion document: Alternative Approach to Restriction of Pensions Tax Relief

The Treasury and HMRC have published a discussion document on its planned alternative approach to restriction of pensions tax relief.

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

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

Pensions Regulator consults on revised guidance regarding incentive exercises

The Pensions Regulator has published revised guidance for consultation, on arrangements to encourage pension scheme members to take transfer values from the scheme, or accept other benefit modifications (such as pension increase conversions). For a copy of the draft guidance please click [here](#). The proposed guidance is part of the Regulator's campaign to improve the governance of defined benefit pension schemes. It has been published alongside a new trustee training module, and a joint statement from the Regulator and FSA.

The proposed guidance strengthens the Regulator's current guidance on the procedures trustees and employers should follow to ensure that scheme members are given adequate information and advice when they are offered incentives to take a transfer value, or other benefit exchange. The Regulator was concerned by some of the practices reported to it, to FSA and to the Pensions Ombudsman. Because it felt the current guidance was too 'tick box', the proposed replacement is principles based, highlighting the main areas where the Regulator has concerns, which are centred on employer communications and access to independent financial advice. The Regulator states that it is now adopting a more active approach towards identifying and assessing incentive exercises, and the revised guidance is intended to support this.

Trustees are advised to start with the premise that the offer will be against the members' best interests. The five main principles in the guidance are:

- Any offer made should be clear, fair and not misleading
- The offer should be open and transparent
- Trustees and employers should take steps to identify and manage conflicts of interest
- Trustees should be included in the process from the start; and
- Members should be given access to 'independent and impartial' financial advice.

The Regulator sets out some key points for trustees and employers to consider, including stressing to employers that the Regulator considers it unlikely that something advantageous to them could also be advantageous to members, and to trustees that they need to consider every member's best interests, and

not just those to whom the offer has been made (or those to whom it has not). It concludes the guidance by setting out the powers it and the Pensions Ombudsman have if members complain about the offer presented to them, which include imposing financial sanctions.

In the joint statement, FSA expresses its concerns about the quality of advice being given to members, and whether firms offering advice are identifying and managing conflicts between employer and member interests.

The consultation closed on 5 October 2010, and at the time of preparing this issue of SPC News we had the draft guidance under consideration.

This article is derived from Mercer Select, Mercer's subscriber service offering news and analysis of UK pension development on-line and by email. For further information, please click [here](#). This article was correct on July 14th 2010. ■

Emergency Budget 2010 and pension increases

The Pensions Minister, Steve Webb, has confirmed that CPI will be used to determine the statutory increases (both in payment and deferment), which apply to private sector schemes, as

well as to the Pension Protection Fund and Financial Assistance Scheme. His statement notes that the government intends to be consistent in its approach to determining how price increases ➡

→ should be determined under legislation. However, to achieve this some amendments will be necessary.

Legislation, which prescribes increases to PPF compensation explicitly mentions RPI, so will have to be altered before PPF can take advantage of the change.

In his June Budget statement, the Chancellor announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past. When the Bank of England began to target CPI it stated that, over the long term, it expected that CPI would be roughly 0.5% less than RPI. This is due to the different basket of goods included in the calculation (in particular, CPI excludes mortgage interest) and because CPI is a geometric average, whereas RPI is an arithmetic average. The calculation means that, even if they were the same in every other way, CPI would always be less than RPI. Since the Bank has targeted CPI, on average its annual rate of increase has been about 0.65% less than the RPI, although there have been periods when CPI has been higher than RPI.

The legislation, which governs public sector pension increases, is the same as the legislation, which applies to the rate at which the state second pension is increased and also underlies statutory increases to private sector pensions. Currently, it gives the Secretary of State for Work and Pensions authority to determine an increase "where it appears ... that the general level of prices is greater at the end of the period under review than it was at the beginning of that period". There is no direction about how an increase in the 'general level of prices' should be determined so, in principle, the Chancellor's budget statement just

clarified that, from now on, it will be determined using CPI, rather than RPI.

Because the legislation refers to the general level of prices it seems impossible for the Secretary of State to determine that there is more than one rate of increase. Consequently, unless the legislation is amended, since the requirement to provide Limited Price Indexation (LPI) to deferred pensions and pensions in payment in private sector schemes refers to the same section of the Act, in future statutory LPI will be determined in relation to CPI rather than RPI.

This means that, where a private sector scheme's rules provide for benefits to be indexed in line with the statutory rate, it is likely that future increases will be lower than they would otherwise have been, and this applies to both past and future accrual.

Scheme rules, which provide explicitly for increases to be made in line with RPI, are only likely to be able to take advantage of the change if the trustees make a rule change in respect of future service accrual.

The government has not mentioned the possible consequence, which altering the rate of indexation for public sector schemes could have for private sector schemes, so it is possible that it plans to amend legislation to retain RPI to calculate LPI increases.

This article is derived from Mercer Select, Mercer's subscriber service offering news and analysis of UK pension development on-line and by email. For further information, please click [here](#). This article was correct on July 9th 2010. ■

DWP seeks views: Draft FAS and PPF (Valuation, Revaluation and Indexation Amendments) Regulations 2011

DWP has sought our views on the draft FAS and PPF (Valuation, Revaluation and Indexation Amendments) Regulations, 2011.

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. ■

SPC and the Financial Ombudsman Service

The SPC Financial Services Regulation Sub-Committee intends to give a high priority to further building contacts with the Financial Ombudsman Service.

If there are general issues, which you think could usefully be pursued with the Financial Ombudsman Service please, therefore, let us know. ■

Pensions Ombudsman and Pension Protection Fund Joint Annual Report

At the end of July the Pensions Ombudsman and Pension Protection Fund Ombudsman published their joint annual report. The main points were:

- As in previous years, the single matter giving rise to more complaints than any other was ill-health pensions (11% of resolved complaints).
- There were increases over 2008/09 in the number of enquiries (3,632, up 18%) and cases taken on for investigation (950, up 22% after adjustment for anomalies). There was no obvious single reason.
- The numbers, though significantly higher than the year before, are not without precedent from previous years.
- The Ombudsman resolved 11% more than its target of 800 cases.
- The Ombudsman continued to emphasise proportionate and early resolution – with an 8% increase in the number of cases resolved without needing formal determination by an ombudsman.
- Expenditure was £2.86m, within budget. ■

European Commission publishes Green Paper on Pensions

The European Commission has published its Green Paper “Towards Adequate, Sustainable and Safe European Pension Systems”.

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

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

Equality Act 2010: Impact on Pensions and Employee Benefits

The Equality Act 2010 extends some aspects of the existing legislative requirements in this area, but not with retrospective effect. If scheme rules contravene certain aspects of the Act, trustees will be able to change their rules to comply, by resolution.

The Equality Act received Royal Assent on April 8th 2010. Most of the Act’s provisions are in force on October 1st 2010, with the insurance provisions due to take effect in 2012. While the Act is mostly designed to bring disparate areas of legislation together in one place, it also strengthens the law in some aspects. In terms of pensions, the Act does not impose any new obligations in respect of benefits ➔

Treasury Consultation Document: Removing the Requirement to Annuitise by Age 75

The Treasury has published a consultation document on removing the requirement to annuitise by age 75.

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

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

→ relating to periods of service before it comes into force.

Under the Act, occupational pension scheme rules will be deemed to include:

- A non-discrimination rule
- A sex equality rule
- A maternity equality rule

If the rules contain provisions, which discriminate, the trustees may be in breach of the legislation, whether or not the scheme rules have been amended in practice to include the non-discrimination or equality rules. However, the Act makes it easier for trustees to amend the rules, by enabling amendment to comply by resolution.

The Act describes the role of an Employment Tribunal in handling claims that a scheme has breached one of the above rules. In relation to the non-discrimination rule, the Act goes beyond previous legislation, by allowing Tribunals to make recommendations, which could affect the scheme as a whole, not just the claimant.

The Act also protects people from discrimination in the provision of services. This is relevant to insurance companies setting premiums and benefits, but they have leeway to treat groups differently if they have different risk profiles. Where an employer sets up a group insurance scheme or group personal pension arrangement, that employer (not the insurer) is responsible for complying with the Act. Because employers must (generally) provide equal terms and conditions to their (otherwise identical) employees, they may be unable to pass on the cost of differential pricing.

This article is derived from Mercer Select, Mercer's subscriber service offering news and analysis of UK pension development on-line and by email. For further information, please click [here](#). This article was correct on July 26th, 2010. ■

SPC responds to IASB exposure draft Defined Benefit Plans - Proposed Amendments to IAS19

We have responded to IASB exposure draft ED/2010/3: Defined Benefit Plans – Proposed Amendments to IAS19.

A copy of the response is available by clicking [here](#). ■

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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.