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# Follow up to SPC Discussion Paper: Short Term Easement for Employers with Defined Benefit Pension Schemes in the Current Financial Crisis

In January we met Rosie Winterton (then the Pensions Minister), Lord MacKenzie (then the Pensions Minister in the Lords) and senior DWP officials to discuss our paper.

We emphasised that SPC's aim had been to address what could be done in the short term to assist fundamentally sound employers struggling with their pension commitments, whether in the form of funding payments or levies. The intention was not to seek to prolong the life of employers, which would probably fail to survive in the current economic climate, whatever their pension liabilities, nor to provide escape routes for employers in the long term from their pension liabilities.

In many ways, the proposals in the discussion paper were intended to have the same effect as some of the measures which the government had implemented or had under consideration, i.e. to underpin employers' cash flow at a

time when credit had suddenly become much more difficult to obtain.

On the PPF levy, we recognised that, from a procedural point of view, levies were paid by schemes, not by employers. However, in practice, schemes' ability to pay levies is heavily dependent on employer contributions and we were aware of cases where virtually the entire employer contribution was effectively going straight out of the scheme and into the hands of PPF in the form of levies. This did nothing to help the funding position of schemes or the cash flow of employers and it was widely recognised that, for the foreseeable future, PPF's cash flows were such that it did not need more levy contributions.

It was clear that the government had no appetite at all for any measures in relation to PPF, which would involve a government guarantee.

We also had had meetings on our paper

with Nigel Waterson, then the Shadow Pensions Minister and Stephen Webb, then the Liberal Democrat Shadow Pensions Minister.

We also had the opportunity to discuss the suggestions in the paper with the Pensions Regulator.

Where trustees and employees had jointly approached the Regulator with genuine difficulties on funding, arising from the economic and financial situation, we viewed the Regulator as having taken a measured and helpful approach, in getting the message through, that, while trustees clearly have important responsibilities to their scheme, this should not be to the complete exclusion of consideration of the position of the employer sponsoring the scheme.

We also had a meeting with the Pension Protection Fund to discuss the outlook for the PPF Levy. ■

## PENSION PRIORITIES FOR A NEW GOVERNMENT

SPC published a paper, which set out what SPC considered should be the high level priorities on pensions for a new government. The paper was not party political. It contained suggestions, which we considered could be adopted by any governing party seriously committed to strong workplace pension provision. Nor were the suggestions radical. They were all comfortably within the political mainstream and could therefore be acted upon quickly. This, we believe, would be to the benefit of everybody, who will need pension income in

retirement, supplementing what the state is likely to provide.


The paper was covered in The Times and in the pension press.

The starting point for the paper was that the only pension system worth having was one which provided worthwhile outcomes in retirement.

We believe that such outcomes are self-evidently most likely to be achieved if employers willingly support workplace pension provision. This support is most likely to be available if employers

are confident that they will have the freedom to support schemes, which do not impose an excessive burden on their business and which represent an attractive benefit for their workforce.

It was therefore essential that a new government clearly stated that it supports active employer involvement in workplace pension provision and would adopt policies which unambiguously demonstrate that support.

This means that it should be straightforward for employers to choose a role 

→ beyond acting as simply a channel for contributions to the National Employment Savings Trust, if they wish to support a scheme outside NEST. For example, they may wish to explain to employees in detail the benefits of their scheme or how they can increase their contributions, or may wish to pay for

a third party or outsourcer to provide this information or advice to their employees.

We advocated:-

- Restoration of confidence in pensions among employers and employees
- Simplification of pension regulation

- Flexibility in pension provision
- Removal of disincentives for employers to support, and employees to join, workplace provision.

We suggested practical steps to achieve all these aims. ■

## DWP

### Consultation on Draft Regulations on Employer Debt

We were invited to comment on the government's consultation on the employer debt regulations.

The proposal was for two easements, under which an employer debt would not be triggered. They were intended to allow restructuring between two employers, where members' benefits would be protected and changes would not dilute the employer's covenant.

The easements would only apply if both the exiting and the receiving employer were in the same multi-employer

scheme and they each employed at least one defined benefit active member. The receiving employer had to be an associated employer of the exiting employer or the exiting employer (under a different legal status). The receiving employer had to have its head office in the UK.

We responded comprehensively to DWP's consultation. Although the easements might have only limited input, it was important that they worked as intended. ■

### Flexible Retirement and Pension Provision

We responded to DWP's further consultation on flexible retirement and pensions provision.

We commented that flexible retirement, at least in terms of the current consultation, seemed to be regarded as the facility to work beyond a scheme's normal pension age or beyond state pension age, while drawing retirement benefits.

There seemed to be no appetite to accommodate the concept of winding down employment before normal pension age and beginning to draw retirement benefits, which is the desired course in some situations.

It seemed implicit that the consultation was aimed at defined benefit schemes only and was not intended to have an impact on money purchase schemes. If this was the policy intention, it would be helpful to have it confirmed.

At the end of 2009 DWP published a consultation response, indicating that it had received insufficient evidence to support any change in the current legislation. ■

### Abolition of Defined Contribution Contracting-Out

SPC members had been waiting for some time for firm confirmation from Ministers that the date for the abolition of defined contribution contracting would be April 2012.

This date was drawing ever closer and, while significant contingent preparation could be done on the working assumption that this would be the date, there was a growing need for planning purposes to

have the certainty of Ministerial confirmation. We asked DWP to update us.

DWP acknowledged our concern. It confirmed that the planning assumption within government was for abolition in April 2012 and it had no reason to believe that abolition would occur on a different date. Ministers made an announcement confirming the 2012 date early in 2010. ■

# Review of the Disclosure Requirements

We responded to DWP's consultation following its review of the disclosure requirements.

Against the background, that a streamlined set of prescriptive provisions would still be required for the purposes

of satisfying EU requirements, and in the interests of certainty for schemes, DWP sought views on the addition to the legislation of a key, overarching disclosure principle.

## Consultation Paper on Default Options in Workplace Personal Pensions and Use of Group SIPPS for Automatic Enrolment

DWP sought our views on a consultation paper on the use of default options in workplace personal pensions and the use of group SIPPs for auto-enrolment.

The main thrust of our comments was that there should be consistency in DWP's approach across the various types of workplace schemes. ■

This gave rise to a number of concerns. It would be clearer to have either a set of prescriptive requirements or a general principle (presumably backed by a Code of Practice). It was not clear how the general principle, would add to the prescriptive requirements as an interpretative aid. We considered that the general principle as currently formulated, gave considerable scope for uncertainty and that DWP should reconsider whether it was necessary or desirable.

As the aim (which we strongly supported) was to minimise the burden on schemes, a formal set of reasonable prescriptive requirements would be simpler to administer than a general principle.

We also suggested that there should be provision for schemes, which wished to continue to operate within the existing disclosure framework, to do so, at least for an interim period, and to be treated as compliant on disclosure, while they continued to do so.

We supported the consolidation of general disclosure provisions into one set of regulations.

We suggested that, in terms of administration, it would be very helpful for the final Regulations to retain the distinction in the current Regulations, regarding information to be made available automatically at various trigger points, e.g. at leaving service, approaching retirement or annually (so that scheme systems can be set up for this) and information to be made available only on request.

DWP's consultation followed up the deliberations of a working party comprising government officials and representatives of the pensions industry, including SPC. ■

## Draft Occupational and Personal Pension Schemes (Authorised Payments) Amendment Regulations 2009

We commented on DWP's draft Occupational and Personal Pension Schemes (Authorised Payments) Amendment Regulations 2009. These draft regulations were intended to make the changes to DWP legislation needed in the light of amendments to HMRC's requirements on authorised payments. ■

# Completing the Picture

We submitted a comprehensive response to this DWP consultation, which was mainly concerned with employer duties under the new regime planned for 2012

Our main comments were:

- The consultation period allowed in this case (six weeks, rather than the usual 12) was far too short. This meant that we did not have a chance to examine important, and in places extremely complicated, provisions in the appropriate detail.
- There were too many areas where, we have no doubt for the best of intentions, far too much emphasis was given to seeking to anticipate all conceivable non-compliance and to legislate against it. Furthermore, the level of detail, into which many areas of the regulations went, would hinder innovation and flexibility of scheme design. One of the reasons for the decline of defined benefit provision has been too much and too detailed legislation. There was little evidence that this new batch of proposals recognised this.
- We would have liked to see much more emphasis on keeping the provisions as simple and as flexible as possible at the outset, so as to minimise the obstacles to the many employers, which had no wish to be non-compliant and would like to be able to support a scheme, without it becoming a major management headache. The detailed prescription evident in so many parts of the consultation should only be used when there was clear practical evidence that the system would not work properly without it, rather than as an attempt to close every conceivable loop hole before the system had even started to operate.
- The complexity of the proposals meant that inadvertent non-compliance was likely to be a much bigger problem than deliberate non-

compliance. We saw this in particular as a result of difficulties caused by not easily knowing when an opt-out period begins and in determining end of year earnings during the course of year.

- There was a great danger that the requirements and guidance envisaged would come to be viewed as a standard, rather than a minimum, and one which took precedence over existing arrangements within good quality schemes.

In early 2010 DWP published its response to the consultation, as well as a package of regulations relating to the workplace pension reforms. These covered the minimum standards, which defined benefit, defined contribution and hybrid schemes must meet in order to be able to be used as an automatic enrolment scheme. The government decided to withdraw the regulations and guidance on certification for defined contribution schemes and to consult further. This was welcome, given the complexity of the proposals. ■

## Review of the Surplus Rules

DWP announced the outcome of its review in 2008 of the surplus rules.

Where the rules of a defined benefit scheme allow payments from the scheme's funds to be made to the sponsoring employer, legislation prohibits payments, unless the scheme is funded to a "buy out" level, and the trustees are satisfied that a payment is in the interests of the scheme's members. These requirements are often referred to as "the surplus rules".

DWP issued a discussion paper in September 2008, inviting views on possible changes to the surplus rules. DWP Ministers concluded that no change should be made to the current legislative provisions. ■

## Draft Personal Accounts Scheme Order and Rules

DWP sought views on the draft scheme order and rules for personal accounts (now NEST).

We considered that there were a number of important respects, in which proposals in the consultation document would start the trustee of NEST off in the wrong direction.

The consultation sought views on whether the draft scheme order and rules adequately covered the activity, which the trustees would need to

undertake to raise awareness of the scheme to employers and prospective members.

We fundamentally disagreed with the approach suggested. We did not believe that the trustee should have any part in, effectively, promoting personal accounts. This is a role which should be fulfilled, in different ways, by the government and the Pensions Regulator, not the trustees of the scheme. The role of the trustees should be to exercise stewardship over the schemes' assets →

➔ and to administer it in accordance with the scheme order and rules.

The consultation also sought views on what remedies it would be useful for the trustee corporation to have available, in order to deal with employers who persistently fail to meet the agreed terms and conditions of the scheme. Again, we considered this question to be misconceived. We do not consider that the trustee corporation should have any regulatory role. Dealing with non compliant employers should be a matter for the Pensions Regulator.

The consultation asked for comments on whether the trustees should have the power to change the scheme rules without the agreement of the Secretary of State. Contrary to the sentiment expressed in the consultation document, we considered that the trustees should

have minimal power to change the scheme rules without the agreement of the Secretary of State.

The government set up NEST with specific objectives, the most important of which is to facilitate pension saving for low to moderate earners, who currently tend not to be members of work place pension schemes. We would expect the government to oversee the development of personal accounts, so as to achieve this aim, and to continue to exercise oversight of the scheme in operation, through the Secretary of State.

One way in which this oversight should be exercised is to ensure that any rule changes do not compromise the objectives of the scheme.

Earlier in the consultation document there was a suggestion that the trustee

should have a role in raising awareness of the scheme's existence and the nature of the proposition it offers to employers and to prospective scheme members. Given this role, which would in effect require the trustees to "sell" the scheme, it is certainly not inconceivable that the trustees might be tempted to change the rules, to make the proposition more attractive, even if this meant departure from the remit set for it by the government.

It is therefore important that the Secretary of State has the power to veto such changes.

We therefore suggested that the trustees should not be permitted to make any changes without the agreement of the Secretary of State, except any needed to comply with pension legislation generally. ■

## PERSONAL ACCOUNTS DELIVERY AUTHORITY

# Building Personal Accounts - Designing an Investment Approach

We were invited to comment on PADA's discussion paper "Building Personal Accounts: Designing an Investment Approach".

We suggested that the main characteristics which should influence the design of the Personal Accounts Scheme were:

- The members will often tend instinctively to be savers rather than investors.
- The members will be likely to place high value on the security of their contributions. Their perception of risk will be in terms of getting back less than they paid in, rather than of any of the various other investment risks addressed in the discussion paper.
- In principle, membership of the Personal Accounts Scheme (now NEST) will be voluntary. However, in

practice, it will be made as easy as possible for employees to enter the scheme and as complicated as possible for them to leave it. Many personal account holders will, therefore, probably consider that they were given little choice about membership and about the resulting deduction of contributions. This highlights the importance of them perceiving that no risks have been taken with their contributions. It is generally likely to be difficult to persuade them to embrace the concept of reward for risk.

- The members are likely to be reluctant to take active decisions about the investment of their account.

We suggested that one way of reconciling the likely conservatism of many members with the need to

adopt an investment solution, which they might not view as consistent with that conservatism, would be to take differing approaches to the investment of (a) members' own contributions and (b) employers' contributions together with tax relief. However, such a dual approach would need to be balanced against another key aim for Personal Accounts - that they be administered at low cost. In principle, the members' contributions could be invested on a basis aimed at providing a modest return, but with the prime aim that members at least should get back what they have personally contributed, with scope then for a more adventurous approach with employer contributions and tax relief. The overall aim would be that the member's total account balance would never be less than the sum of their own contributions. ■

# Securing a Retirement Income

We responded to PADA's discussion paper on securing a retirement income.

The consultation paper addressed a number of important questions, which existing defined contribution schemes already have to address. This consultation provided a new opportunity

to highlight those questions and to explore possible answers to them, with a view to enabling personal accounts, and defined contribution schemes generally, to be able to do the best for their members when the time comes for them to secure a retirement income.

We underlined that it was important

that in this respect, as in others, personal accounts worked within the same framework as schemes generally, so as to achieve consistency across the pension market, which could only be for the benefit of those who rely on it to provide them with a retirement income. ■

## PENSIONS REGULATOR

### Further Statement on Scheme Funding

In June the Pensions Regulator issued a further statement on scheme funding. It stressed that trustees are expected to focus on the prudence of the technical provisions, but have more flexibility in determining how to meet any shortfall. It also provided some guidance on the need for expert covenant advice.

We welcomed the highlighting by the Regulator of some case studies, illustrating how companies and trustees resolved some difficult funding discussions. ■

### Revised Code of Practice: Trustee Knowledge and Understanding

We responded to the Pensions Regulator's draft revised code of practice 7: trustee knowledge and understanding and scope guidance.

Our main comment was that we were not sure whether it would in practice be viewed as possible, as envisaged in the draft revised code, to certify increased knowledge and understanding arising from trustee training, as opposed to attendance and participation, without some form of examination. It is not clear how increased knowledge and understanding could be demonstrated informally.

We were concerned that there was a risk of an unintended consequence, as current providers of training may be reluctant to provide the suggested certification. Since the trustee

knowledge and understanding regime has been introduced, the availability of free training and seminars, aimed at trustees, has increased enormously. It would be a very real setback if this availability contracted due to a certification requirement. Those providing training on a goodwill basis might view doing so as too risky if there was a perception that in some way the Regulator might have some recourse back to the provider.

We were also concerned that there might also possibly be more reluctance among some trustees to undertake training, because of the prospect of an exam, when they might not have sat one for many years, and because a training course with an exam at the end is likely to be more expensive. ■

# TAX

## Budget 2009 - Limiting Tax Relief for High Earners

In the Chancellor's 2009 Budget, the much trailed restriction on higher rate tax relief was not quite as expected. The announcement was that, with effect from April 6<sup>th</sup>, 2011, tax relief on contributions would be restricted for those on incomes over £150,000. From that level of income, the value of tax relief would be tapered down until it was 20% for those on incomes over £180,000 (making it worth the same as basic rate tax relief).

To avoid people making large tax-relieved contributions in anticipation of this change, the government introduced new measures, which had immediate effect. These measures mostly took the form of a new special annual allowance (additional to the existing annual allowance) applied to contributions made by the individual and employer. Salary sacrifice arrangements (in return for pension benefits or contributions), which reduced income, would not be recognised for the purposes of judging whether the person had earned over £150,000, if the arrangement was entered into after April 22<sup>nd</sup> 2009.

Anyone with income of less than £150,000 for the tax year, and for both of the preceding two tax years ("the relevant tax years") would not be affected.

For people with income of £150,000 or more in any of the relevant tax years, those who continued as normal with their 'existing pattern of regular pension savings', and who did not make any additional pensions savings would not be affected.

In the case of money purchase arrangements, 'existing pattern of regular pension savings' meant the continuation of contributions paid under agreements made before April 22<sup>nd</sup> 2009, paid quarterly or more frequently, and at a rate which did not increase (unless the increase to regular contributions was agreed before April 22<sup>nd</sup> 2009).

For defined benefit schemes, 'existing pattern of regular pension savings' included any increases in pension benefits, which arose under the existing scheme rules as at April 22<sup>nd</sup> 2009. Defined benefits were to be valued for this purpose in the same way as for the annual allowance test (generally the increase in the value of accrued rights multiplied by 10).

Individuals who did increase their pension savings would be affected only if their total savings in that year exceeded £20,000.

For the purpose of testing increases in regular pension saving, and the £20,000 limit, the contributions included those paid by the individual, their employer or a third party. ■

### HMRC Anti-Forestalling Regulations

SPC hosted a technical seminar given by HMRC, in May, to discuss its planned anti-forestalling measures in connection with the restriction of higher rate tax relief for pension contributions.

We raised a number of questions and concerns, in the light of the seminar, covering variable contributions,

transfers of protected pension inputs, inconsistency of treatment of defined benefit and defined contribution schemes, lack of clarity in some definitions, redundancy and the treatment of employer-financed retirement benefit schemes, the treatment of contribution increases under options pre-dating April 22<sup>nd</sup>, 2009 and salary sacrifice. ■

### Pension Schemes (Reduction in Pension Rates) (Amendment) Regulations 2009

These regulations address concerns raised by SPC and others, at unintended unauthorised payment charges, where there is a reduction in pensions during a scheme wind up.

In their draft form, these regulations had a condition that a scheme had to

have had 20 or more members, when winding-up began, in order for the regulations to apply. However, as a result of further representations by SPC, this condition was dropped, thus substantially increasing the practical value of the regulations. ■

# Registered Pension Scheme (Authorised Payments) Regulations 2009

We welcomed the publication of the Registered Pension Schemes (Authorised Payments) Regulations 2009.

Regulation 16 covers "payments of arrears of pension after death", but only if the member had not reached age 75 at death. We saw no obvious reason for this age restriction and its inclusion caused a number of problems. Firstly, a different treatment for arrears payments (rectifying errors) depending on the age at death:

- Before age 75 – authorised – BCE9 - taxed as pension income under ITEPA 2003
- After age 75 – unauthorised – 40% unauthorised payments charge, plus possibly a 15% unauthorised payments surcharge, as well as a scheme sanction charge.

Also, scheme rules might explicitly bar trustees from making unauthorised payments. If so, the only option for such a scheme would be to retain the underpayment, if the member had already attained age 75 by the time of death. This seemed unfair from the perspective of the deceased's estate.

Whilst age 75 is already used in the Finance Act 2004, as an upper age limit for lump sum death benefits, we did not view this as a salient feature in relation to rectifying pension underpayments, which should have been made to the deceased member. For example, the Registered Pension Schemes (Authorised Payments - Arrears of Pension) Regulations 2006 – cover arrears of pension to a member whilst still alive, but have no age limitation.

We asked HMRC to amend the regulations, to remove what seems to be an unjustified anomaly, but it refused.

We also raised a question with HMRC on "unwinding" any unauthorised payment tax charges already made under the Regulations.

These regulations came into force on June 1<sup>st</sup> and, for payments under part 3 or part 4, cover payments made on or after April 6<sup>th</sup> 2006. On the face of it, these regulations convert payments, which were regarded as "unauthorised payments", into "authorised payments". This would seem to require a procedure to "unwind" any unauthorised payment tax charges already made in respect of such payments.

We asked HMRC whether it had any special arrangements to deal with these cases. In particular, was there a process to reclaim any unauthorised payment charges already levied and was there a process to abort any tax collection already in the pipeline?

HMRC indicated that we were correct, in that payments under the regulations made before the regulations came into force were previously unauthorised payments, but are now authorised payments. It agreed that, if an unauthorised payments scheme sanction charge had been paid, arising from an Event Report, in respect of something where it was believed that the charge is now not due, then the scheme administrator should write to HMRC, setting out the facts. ■

## Treatment of Financial Derivatives under Tax Bulletin 66

In 2008, SPC wrote to HMRC seeking confirmation of the tax position of financial derivatives under Tax Bulletin 66.

The letter was sent at the suggestion of HMRC, following a meeting with the SPC Investment Committee, to

give it an opportunity to express a view on types of investment strategy and instruments developed since Tax Bulletin 66 was issued in 2003.

After a long delay, HMRC responded very helpfully to SPC's letter. ■

## FINANCIAL SERVICES AUTHORITY

### FSA Consultation Document on the Retail Distribution Review

These were the two questions in FSA'S consultation, specifically on corporate pension advice.

The main question was whether Adviser Charging should be applied, where individual advice is given on GPPs,

and whether the principles of Adviser Charging should be applied to non-advised GPP business, and, if so, how? ➔

➔ We answered the first part of this question in the affirmative.

On the second part, the consultation paper itself recognised the need, as far as possible, to maintain parity of regulatory treatment of trust-based and contract-based schemes. We suggested that this should be kept in mind, when deciding how to apply Adviser Charging to non-advised GPP business, so that advice on all work based pensions was on the same regulatory basis. Our suggested approach would be that adviser remuneration should be agreed with the employer and covered through product disclosure, as is the case for commission.

We did not believe that it was the intention, but it was essential that the position was not created, where charges

had to be negotiated with each member of a GPP.

FSA also sought views on its proposals for a new standard for independence, which required firms providing independent advice to make recommendations based on a comprehensive and fair analysis of the relevant market, and to provide unbiased and unrestricted advice. We requested guidance from FSA on how advisers should interpret 'comprehensive and fair analysis of the market', in order to be classed as independent. Practical guidance would be helpful, as would the approval of research tools to assist advisers, as it is not clear to us whether the use of these tools would adequately satisfy the 'comprehensive and fair analysis' requirement.

FSA also asked whether the principles of Adviser Charging, or any other alternative approaches to remuneration, should be applied to non-advised services. We did not agree with proposals to apply adviser charging to non-advised services. A number of SPC members offer services to members of pension schemes on a non-advised basis, through the provision of flexible benefits services or brokerage services to the employer. As commission is received, this pays for the cost of the service provided. However, contact with the employee is often limited and, in some cases, on a direct offer basis.

FSA enquired what consumer detriment, if any, would arise if it implemented the RDR proposals for the sale of retail investment products and took no action on regulating the sale of pure protection products under ICOBS by retail investment firms. We suggested that applying the RDR proposals to pure protection products would result in consumer detriment, as employee benefit consultants would be required to have contact with each scheme member, as opposed to broking a whole scheme (as underlying contracts can be written on an individual member basis).

Employee benefit consulting includes providing support for employees, when they leave their employers and wish to continue flexible benefits cover (eg life cover). Many SPC members do not give individual advice to the scheme members, but act as an introducer to insurance companies, for which they receive commission. By acting in this way, SPC members are often able to negotiate preferential 'group' discount rates. However, having to negotiate with each member is likely to increase the cost of undertaking the business and hence negate the benefits gained on a 'group' basis. ■

## Capital Requirements for Pension Administrators

FSA made an important change in the capital requirements for third party pension administrators, following representations by SPC. FSA policy statement 09/19 (Review of the Prudential Rules for Personal Investment Firms) recognised that third party administrators are not typical Personal Investment Firms, in that they do not deal with

retail customers. FSA decided to reconsider its approach to setting capital resources requirements for such firms and to consult on this. In the meantime, FSA invited affected firms to consider applying for a rule waiver, if they believed they could meet the tests set out in section 148 of the Financial Services and Markets Act. ■

## Consultation on Reforming Remuneration Practices in Financial Services

We focussed our comments on this consultation paper on the proposals relevant to SPC members. While we broadly agreed with the requirement to

introduce a code of the type proposed, for the banking industry, we did not believe it should be extended to all authorised firms. For example, in the

pensions industry, while remuneration risks exist, they are often simpler to identify and controlled largely by existing rules. ■

# Consultation Paper on Transparency as a Regulatory Tool and Publication of Complaints Data

We responded to FSA consultation paper 09/21: Transparency as a Regulatory Tool and Publication of Complaints Data.

We were concerned that there would be commentators who were likely to pick up on the numbers published but are (along with the public)

unlikely to refer to any accompanying contextualisation data. The timing of publication was also less than ideal, as the public are more likely to make complaints during a recession.

The aim of publishing the complaints data was unclear, as FSA already receives this data about firms and has

done so for a number of years. If the aim is to 'name and shame' firms, FSA could have done so at any time with those firms it deemed to be acting inappropriately towards complainants. Requiring publication of data by all firms is effectively punishing even those who try to perform appropriately. ■

## PENSION PROTECTION FUND

### Pensions Protection Levy

We had only one comment on PPF's consultation on the 2010-2011 pension protection levy. The revised method for penalising schemes, which decided not to certify a material bulk transfer, was completely different to the proposal set out in PPF's "Conclusions on the

2009/2010 Levy Consultation", based on which many schemes would have made their decision whether to certify. The difference in the methodology could have a significant impact on the amount of the levy in certain circumstances, and it would seem to

us to be very unfair, where a decision not to certify was taken on grounds of administrative cost versus levy penalty.

We therefore urged reversion to the previous proposal. ■

### Measuring Insolvency Risk in the 2011-2012 Pension Protection Levy

We responded to PPF's consultation on measuring insolvency risk in the 2011-2012 pension protection levy.

On the face of it perhaps, this was an early consultation on a change, which would not take effect until the 2011/2012 pension protection levy was raised. In fact, however, introducing the proposed changes for that year's levy would impose quite a tight timescale on schemes, given that PPF would probably not have finalised its intentions as a result of this consultation until mid-January 2010 and insolvency risks would then be measured as at March 31<sup>st</sup> 2010. ■

# Decision Document on GMP Equalisation

PPF published its decision document following its 2008 consultation on GMP equalisation.

Section 171 of the Pensions 2004 Act provides that the Board of PPF has a duty to pay compensation on a basis no more or less favourable to a woman (or man) than it would be to a comparable man (or woman), in respect of pensionable service on or after 17 May 1990.

The Board received legal advice that:

- in meeting this requirement, it must take into account any inequalities in scheme benefits, which have arisen as a result of differences in the calculation of Guaranteed Minimum Pensions (GMPs) due to gender;
- Section 171 provides for the Board to establish that a "comparator" (a

person of the opposite sex doing like work, or work rated as equivalent or of equal value) exists before making any adjustment for equalisation;

- if the Board takes no action, this would compromise its responsibility under the Act and that it should take a proactive approach to this issue; and
- the Board must ensure that payments made both before and after the assessment date have been made on an equal basis. (This means, the decision document suggests, that for schemes entering PPF the Board must ensure that all payments made in respect of pensionable service after 17 May 1990 are equal.)

In April 2008, the Board had issued a consultation on the implications of section 171 of the Act in the context of GMPs. The proposals in the consultation document only applied to schemes, which enter an assessment period and are, or have been, contracted-out of the State Earnings-Related Pension Scheme, with members with GMP entitlements accrued on or after 17 May 1990.

The decision document outlined the Board's proposed actions, which were essentially to pursue the proposals in its original consultation, based on its earlier legal advice.

SPC was invited to assist PPF in developing its proposals. ■

## UK DEBT MANAGEMENT OFFICE

### Quarterly Consultation

SPC was represented at the Debt Management Office's quarterly consultations.

SPC is one of 15-20 organisations represented, including fund managers, hedge funds and representative bodies. SPC helped to ensure that the needs of pensions investors are properly considered in forming policy on gilt issues. ■

## Consultation on Supplementary Methods for Distributing Gilts

We responded to the Debt Management Office consultation on supplementary methods for distributing gilts.

We noted that the government wished to establish if there were any barriers in the current system, which prevented the gilt investor base, including the pension and insurance sectors, from participating to a greater extent in the primary issuance distribution process.

From our point of view, the biggest concern for pension funds is the relative lack of long dated gilts.

In order to match their assets and liabilities, many UK pension funds wish to allocate a part of their portfolio to long dated gilts. In order to mitigate risk, the gilts held need to match the duration of the underlying liabilities. The liabilities of many pension funds

are extremely long dated and 20, 30 and 50 year gilts should therefore form a large part of the matching portfolio.

Conventional wisdom suggests that long term investors, such as pension funds, should be able to access more attractive yield in return for long term lending. Instead, there is a persistence of lower yields at the very long end of the yield curve. This is not explainable by future

→ rates expectations, but is rather a clear demonstration of supply/demand dynamics overriding fundamentals.

Pension funds need to value their liabilities with reference to prevailing gilt yields at terms appropriate for their liabilities. The distortions on the yield curve therefore increase the value placed on pension liabilities and force increased funding.

The lack of relative supply of long dated index linked gilts is also observable. Very long dated index linked produce lower yields than shorter dated. The implied inflation expectation demonstrates a

similar pattern, all pointing to a shortage of supply. This leads to artificial inflation of liabilities for pension schemes, which do not choose to match their assets and liabilities, and genuine expense, in terms of unattractively priced assets, for those which do so choose.

Excess demand for very long dated conventional and inflation linked gilts from pension funds clearly needs to be met by additional supply. We therefore strongly encouraged a review of the current issuance policy and asked that the supply was provided at the very long end to satisfy pension fund

demand, so that yields could revert to more appropriate levels.

It would also assist if some long dated gilts were issued with a zero coupon. The long dated nature would allow pension schemes to extend the duration of their bond portfolios and the zero coupon element would avoid the need for re-investment by pension schemes, which are not in a net cash out-flow position.

The SPC Investment Committee hosted a meeting with a representative of the Debt Management Office. ■

## REVIEW OF THE DEFAULT RETIREMENT AGE

SPC submitted views in response to the government's 2005 consultation on the draft Employment Equality (Age) Regulations. One of the key features of the regulations was the introduction of the Default Retirement Age of 65.

The Department for Business, Innovation and Skills prepared to carry out the review of the Default Retirement Age, which the government committed itself in 2004 to carry out in 2011 (since brought forward to 2010).

The Department invited SPC to respond to its call for evidence, which informed the review. ■

## TREASURY

### Money Laundering

We responded to the Treasury's call for evidence on its review of the Money Laundering Regulations.

Our Financial Services Regulation Sub-Committee was aware of at most a handful of cases, in which pensions

schemes of any description have been used for money laundering.

We consider that large schemes, whether occupational or contract based, represent a low risk of being used for money laundering.

We suggested that there was an increased risk, but in our view still a relatively low one, of personal pension schemes (including Self Invested Personal Pension Schemes) and small self administered pension schemes being used.

In our view, the regulations and their application to business activity are broadly appropriately risk based for pensions business. ■

### Consultation Paper on Reforming Financial Markets

SPC responded to the relevant parts of the Treasury's consultation paper "Reforming Financial Markets". ■

# DBERR CONSULTATION PAPER ON IMPLEMENTATION OF AGENCY WORKERS DIRECTIVE

The Department for Business, Enterprise and Regulatory Reform published a consultation paper on implementation of the agency workers Directive.

Parts of it were relevant to the work of many SPC Members and we responded to those parts. ■

# EUROPEAN COMMISSION HEARING ON HARMONISING SOLVENCY STANDARDS FOR CERTAIN PENSION SCHEMES

The European Commission held a hearing on whether, and if so to what extent, elements of the Solvency II Directive (setting out solvency rules for insurance companies) should be extended to pension schemes – at least those which carry out cross-border activity and those termed ‘regulatory own funds’. This followed its consultation on the subject in September 2008.

SPC was represented at the hearing. Little new evidence emerged, beyond that garnered in the earlier consultation, although some commentators pointed to the comparative resilience of pension schemes in the light of the current economic climate.

Several speakers highlighted factors such as the employer covenant, the long-term investment horizon, the presence of State insolvency schemes

and the ‘solidarity’ afforded by inter-generational cross-subsidy as making Solvency II inappropriate for pension schemes. However, some of those present called for harmonisation of solvency rules across all pension schemes – not just the narrow scope currently covered.

Doing nothing is not an option and the Commission aimed to propose a way forward. ■

# BOARD FOR ACTUARIAL STANDARDS

## Pensions Technical Actuarial Standard

We responded to the BAS consultation paper on a pensions TAS.

We had no objection to the overall purpose of the TAS, but we suggested that it would be appropriate to add to the wording, so that there was an explicit statement that the purpose of the TAS included providing assistance to actuaries in supporting the trustees and the other parties referred to in the proposals.

We suggested that the approach of

BAS, on what should be covered by the pensions TAS, should be determined by whether there is material specific to pensions, which needed to be covered in relation to a particular area of work. If there was nothing specific, but BAS would like the work to be subject to the generic standards, this should be made clear.

We agreed that reserved work should be within the scope. We could see reasons for and against further

extending the scope of the TAS as far as BAS suggested. In the case of work, which might affect the level of benefits payable to members, in many cases this would actually be reserved work.

Whatever decision was eventually taken, it would be essential that it was completely clear what work and which decisions were covered by the pensions TAS.

BAS sought views on whether, in scheme funding exercises, any prudent ➔

→ estimate of scheme liabilities should be accompanied by a best estimate.

BAS also asked for comments on its conclusion that the final scheme funding report should include sufficient information for an informed reader to understand the financial position of the scheme, and that this was best accomplished by defining the intended users and decisions accordingly.

We had an underlying concern that the TAS should not create a situation where the scheme funding report was perceived as a document specifically designed to assist members in taking decisions in their own particular circumstances. There might be elements of the report, which could help in this context, but it was not a specific purpose of the report. ■

## Exposure Draft on Reporting Actuarial Information

We responded to the Board for Actuarial Standards exposure draft on reporting actuarial information.

The scope of the proposed standard had widened significantly since the previous consultation on the subject, but this was a logical consequence of producing a generic standard.

Generally, the balance between prescription and freedom to exercise professional judgement in a reasonable way seemed to be correctly set. An acid test, however, would be whether actuaries felt able in practice to leave out from reports items which they did not consider it justified to include from a cost/benefit point of view. ■

## Consultation Paper on Modelling

We responded to the Board for Actuarial Standards consultation paper on modelling.

The consultation paper sought views on whether the proposed actuarial standard would help to ensure that users of actuarial information can place a high degree of reliance on its relevance, transparency of assumptions,

completeness and comprehensibility.

We suggested that it generally would, although it was important that the standard did not unintentionally require models to be presented and explained in such a way as to limit their practical value to clients.

We did have significant doubts about whether it was appropriate to bring

documentation of models within a standard, particularly since, in itself, documentation has no bearing on whether a model is fit for purpose.

We were subsequently invited to comment on the exposure draft on modelling.

At the year end, we had this under consideration. ■

## SPC CONTACTS

SPC maintains contact with a wide range of bodies relevant to the work of its Members. Details of contacts in 2009 are summarised in this section.

- Representatives of the SPC Investment and Money Purchase Committees took part in PADA roundtables on its investment approach.
- The SPC Financial Services Regulation Sub-Committee hosted a meeting with the Financial

Ombudsman Service, against the background of the re-negotiation of its Memorandum of Understanding with the Pensions Ombudsman.

- The Sub-Committee also met representatives of the Serious Organised Crime Agency, to form a better understanding of how the Agency's proceeds of crime work might relate to the pensions business of SPC Members. It was helpful to ascertain that the impact is likely to remain minimal.

- The Chairman of the Sub-Committee attended briefings organised jointly by the FSA Practitioner and Smaller Businesses Panels.

- The Financial Services Regulation Sub-Committee met representatives of the Financial Services Compensation Scheme. The outcome was greater certainty of the precise coverage of FSCS in the pension field, which was shared with SPC Members. →

- ➔ ● SPC, through its Actuarial and Administration Committees, participated in Treasury working groups, advising it on technical aspects of valuing defined benefits and on administrative and communication impacts in connection with the restriction on higher rate pension tax relief.
- SPC's Council and committees had regular meetings with senior representatives of the Pensions Regulator, to discuss a range of matters of mutual interest or concern.
- Against the background of the imposition of the Special Annual Allowance, SPC had a meeting with the Managing Director of the Treasury's Budget, Tax and Welfare Directorate. Our main aim was to underline the damage to confidence in pensions caused by moving the goalposts on their tax treatment.
- SPC met Angela Eagle, Minister of State for Pensions and the Ageing Society. The meeting focussed on the 2012 pension changes and SPC's paper "Pension Priorities for a New Government".
- SPC was a regular participant in the Pensions Regulator's advisory panel.
- Members of the SPC Council and the Chairman of the Financial Services Regulation Sub-Committee met senior figures from FSA. Subjects discussed included the outlook for the Retail Distribution Review, defined contribution default funds, enhanced transfer values and transfers to SIPPs.
- SPC also had meetings with CBI and the Pensions Advisory Services. ■

## SPC ROUNDTABLE

SPC held another in its successful series of Roundtables for Members.

The theme was "Implications of the current economic and financial climate for pension schemes and their sponsors".

Our guest facilitator was Peter Thurston, then of HR Trustees. ■

## HONORARY TREASURER

Council re-elected Lindsay Davies, a partner in Hymans Robertson, as SPC Honorary Treasurer for a further year. ■

## COUNCIL AND COMMITTEES

During the year the following Council and Committee meetings took place.

● Actuarial	8
● Administration	9
● Council	6
● Financial Services	6
● Legislation	9
● Money Purchase	7
● Public Relations	6
● Other standing committees	6
● Other committees	4

We are very grateful for the time devoted to the work of SPC by all these bodies, both in meetings and outside them.

Their commitment makes possible the broad range of activities summarised elsewhere in this report. The membership of Council and Committees is listed in Appendix I. ■

# MEMBERSHIP

At December 31<sup>st</sup> SPC had 112 members. They are listed in Appendix II to this report. ■

# CO-OPERATION

SPC liaised with the Association of British Insurers, the Association of Consulting Actuaries, the Association of Pension Lawyers, the Investment Managers Association and the National

Association of Pension Funds, through the Occupational Pension Schemes Joint Working Group. The Group is also a channel for liaison with DWP, the Treasury, HMRC, the Pensions

Regulator and Pension Protection Fund. The main area of liaison in 2009 was the implementation of the new pensions regime set out in the Pensions Act 2008. ■

# EXTERNAL AND INTERNAL RELATIONS

We continued our regular contributions to the Association Forum of Pensions World magazine and the panel of contributors from the Legislation Committee continued to write Pensions World Tax and Benefits Notes. We also had regular features in the Actuary magazine and Financial Regulatory Briefing.

We contributed articles and comments to a wide range of other publications and

to the broadcast media, backed up by press releases.

The SPC website attracted 11,335 visits (9,940 in 2008).

We continued to sponsor the prize for the best performance in the scheme arrangements paper of the PMI Associateship Examination.

SPC News was produced on a monthly basis and was supplemented by the

issue of frequent general circulars on matters of importance to members. The SPC Document Service again operated as did the SPC Pensions Ombudsman's Determination Service.

We continued to invite members to supply details of their offices in the UK for inclusion in lists by geographical area of members providing individual pension advice. These lists are mainly provided by access to the SPC website. ■

# SPC ONLINE POLLS

We continued to conduct online polls of SPC members throughout the year. ■

# SPC EVENING MEETINGS

A programme of evening meetings was provided throughout the winter, spring and autumn, with meetings taking place in, Leeds, London, Manchester and Scotland. The programme for Scotland was arranged in collaboration with NAPF and PMI. The programme of meetings was as follows:-

MONTH	SUBJECT	SPEAKER(S)
January	Conflicts of Interest	Jane Samsworth and Joanna Smith (Lovells & APL) and Mark Ashworth (Law Debenture & SPC)

<b>February</b>	"Turning the Trustee Governance Ideal into Reality"	Steve Robinson and Gordon Buist (HSBC Actuaries and Consultants)
	De-risking Pension Funds: Mortality/Buy-out	Ian Aley (Paternoster)
<b>March</b>	Benefit Design: What is the Future?	Richard Sweetman (Watson Wyatt) and Anthea Whitton (Pinsent Mansons)
	Pensions Governance	Steve Delo (PAN Governance)
<b>April</b>	Last Bank Standing: What are Some of the Remedies Available to Pension Funds to Recoup their Losses from the Financial Crisis?	Caroline Goodman (Institutional Protection Services) and Mark Willis (Spector Roseman Kodroff & Willis)
	Local Government Pension Changes	Finlay Souter (Barnett Waddingham)
<b>May</b>	How Pension Funds and their Advisers can use the Media to their Advantage	John Antcliffe and Andrew Wilde (Smithfield Consultants)
	Current Developments in Pension Risk Transfer	Jay Shah and John Fitzpatrick (Pensions Corporation)
<b>September</b>	The Role of Actuaries and Consultants	Edwin Topper (Mercer)
	PPF's Current Concerns and Priorities	Alan Rubenstein (PPF)
<b>October</b>	Use of Objective Evidence to Improve the Due Diligence Process when Selecting Investment Managers	Rick di Mascio (Inalytics)
<b>November</b>	An Update on Personal Accounts	Tim Jones (PADA)
	Changes to the Employer Debt Regulations	Jeremy Harris (DLA Piper)
	Administration Challenges During a PPF Assessment Period	Ann Allerton and Christine Nield (Mercer)
	PPF Entry: Legal Issues	Jane Briggs and Clair Rogers (Hammonds)
<b>December</b>	How Fiduciary Management Can Work for UK Schemes	Colin English and Gwion Moore (Mn Services Investment Management UK)

We are grateful to all the speakers for giving their time to address SPC.

We are also grateful to the following organisations, which hosted meetings: DLA Piper, Eversheds, Hammonds, Hymans Robertson, JLT Benefit Solutions, KPMG, Mercer, Pensions Corporation, Shepherd & Wedderburn, Wragge & Co. ■

## SPC DINNER AND PRESS AWARDS

SPC held another successful Dinner on November 3<sup>rd</sup>. The venue was again The Dorchester. The principal guest was Dr. Vince Cable, then Liberal Democrat Shadow Chancellor and Deputy Leader, who proposed the toast to SPC. The response was by Duncan Howorth, the SPC President.

The Dinner marked the presentation of the inaugural SPC Pensions Journalists of the Year Awards. The recipient in the National category was Norma Cohen (Financial Times) and in the Trade category Jenna Towler (Professional Pensions). ■

# APPENDIX I



## SPC Council and Committee Membership as at December 31<sup>st</sup> 2009

Council		
Duncan	Howorth (President)	Jardine Lloyd Thompson Benefit Solutions
Sir James	Hodge (Chairman)	
Natalie	WinterFrost	Aberdeen Asset Management Ltd
John	Quinlivan	Aegon/Scottish Equitable
Paul	McGlone	Aon Consulting
Ian	Long	Aviva
Kevin	LeGrand	Buck Consultants Limited
Jennifer	Batty	Capita Hartshead
Kate	Flavell	HBOS Financial Services
Ian	Gault	Herbert Smith
Roger	Mattingly	HSBC Actuaries and Consultants Limited
Lindsay	Davies (Honorary Treasurer)	Hymans Robertson LLP
David	Fairs	KPMG LLP
Duncan	Buchanan	Lovells LLP
Edwin	Topper	Mercer
Rachel	Low	MNPA Ltd
Liz	Hinchliffe	Pinsent Masons LLP
Deborah	Wilson	PricewaterhouseCoopers LLP
Beverley	Morris	Prudential PLC
Claire	Carey	Sacker & Partners
Stephen	Dry	Scottish Widows Investment Partnership Limited
Cathy	Robertson	Standard Life Assurance
Mark	Ashworth	The Law Debenture Pension Trust Corporation p.l.c.
Sanjay	Gupta	Watson Wyatt Limited
Robert	Birmingham	Xafinity Consulting

Actuarial		
Darren	Fleming	Aon Consulting
Steve	Hitchiner (Chairman)	Barnett Waddingham LLP
Mike	Bartlet	Buck Consultants Limited
Jonathan	Isted (Deputy Chairman)	Capita Hartshead
Paul	Yates	Deloitte Total Reward and Benefits Limited
Matthew	Collins	Hewitt
David	Hamilton	HSBC Actuaries and Consultants Limited
Bill	Barnes	Hymans Robertson LLP
Ian	Capper	JLT Benefit Solutions Ltd
Chris	Bunford	Lane Clark & Peacock LLP
Dina	McDonald	Mercer
Lindsay	Heeley	Punter Southall Limited
John	Forrest	Scottish Equitable plc
Lisa	Whitby	Towers Perrin
David	Berenbaum	Watson Wyatt LLP

Administration		
John	McCormick	AEGON HS Admin
Caspar	Hancock	Aon Consulting
Conrad	Jones	Aviva
David	Connell	Barnett Waddingham LLP
David	Barnes	Bluefin
Andrew	Short (Deputy Chairman)	Capita Hartshead
Rachel	Harris	Excellerate HRO
Bob	Burse	FIL Pensions Management

Stewart	Mason	HBOS Financial Services
Victoria	Holmes	Hewitt
Michelle	Mattingley	Hymans Robertson LLP
Jane	Garton	JLT Benefit Solutions Ltd
Andrew	MacDougall	Lane Clark & Peacock LLP
Rosie	Kwok	Mercer
Paul	Fearon	Metlife Assurance Limited
Rachel	Low	MNPA Ltd
Deborah	Wilson	PricewaterhouseCoopers LLP
Phil	Tilley	Prudential
Kathy	Turpin	Punter Southall Limited
Malcolm	Winter	Standard Life Assurance
Nigel	Howarth (Chairman)	Xafinity Paymaster

### European

Maria	Stimpson	Allen & Overy LLP
Edmund	Downes	Aviva
Ian	Walker	Buck Consultants Limited
Caoimhe	O'Neill	Charles Russell LLP
Liz	Fallon	Eversheds LLP
Charles	Magoffin	Freshfields Bruckhaus Deringer
Laura	Sayer	Hammonds LLP
Alex	Tottle	Hewitt
Tim	Box	Lane Clark & Peacock LLP
Jayne	Hidderley	Linklaters
Isabel	Coles	Mercer
Matthew	de Ferrars	Pinsent Masons LLP
Martine	Bach	PricewaterhouseCoopers
Beverley	Morris	Prudential PLC
Michael	Wyman	Simmons & Simmons
Gordon	Harkes (Chairman)	Standard Life Assurance
Mark	Dowsey (Deputy Chairman)	Watson Wyatt Worldwide
Paul	Burt	Xafinity Consulting

### Financial Services Regulation

Kate	Smith	Aegon/Scottish Equitable
Simon	Grey	Aviva
Laura	Cooke	Barlow Lyde & Gilbert
Duncan	Loyd	Buck Consultants Limited
Tom	Calvert-Lee	Capita Hartshead
Ian	Cass	Compliant Solutions Ltd
Richard	Houston	Fil International
Chris	Halewood	Griffiths and Armour Financial Services
Andy	Nibloe	Heath Lambert Consulting Limited

Chris	Goodeve-Ballard	Hewitt
Mark	Wicks	Jardine Lloyd Thompson Benefit Solutions
Colin	Murphy	Legal & General Life & Pensions Group
Steve	Wright	MNPA Ltd
Malcolm	Lamb	PricewaterhouseCoopers
Beverley	Morris	Prudential PLC
Joanne	Hull (Chairman)	Xafinity Consulting

### Investment

Natalie	WinterFrost (Chairman)	Aberdeen Asset Management Ltd
Nigel	Loweth	AEGON Asset Management UK plc
Peter	Martin	Aon Consulting
Neil	Morgan	Bluefin
David	Hepplewhite	Capita Hartshead
Carl	Hitchman	Deloitte Total Reward and Benefits Limited
Hugh	Gittins	Eversheds LLP
Anne	Fairchild	GSAM
Clifford	Sims (Deputy Chairman)	Hammonds LLP
John	Benfield	Hewitt Associates
David	Clare	HSBC Actuaries and Consultants Limited
Andrew	Elliott	Hymans Robertson LLP
Philippa	Connaughton	Linklaters
Alan	Wilcock	Mellon Analytical Solutions Europe Limited
Tony	English	Mercer
Stephen	Dry	Scottish Widows Investment Partnership Limited
Robin	Penfold	Watson Wyatt LLP

### Legislation

Helen-Mary	Finney	Aon Consulting Limited
Arron	Slocombe	Baker & McKenzie LLP
Martin	Hooper	Barnett Waddingham LLP
Kris	Weber	Charles Russell LLP
Andrew	Patten	Denton Wilde Sapte
Wendy	Hunter	Hammonds LLP
Neil	Fairchild	Hewitt
John	Wilson	HSBC Actuaries and Consultants Limited
Andrew	Scrimshaw	KPMG LLP
Tony	Bacon	Lane Clark & Peacock LLP
Alex	McGill	Lawrence Graham LLP

Nicholas	Laird	Linklaters LLP
Duncan	Buchanan (Deputy Chairman)	Lovells LLP
Eleanor	Dowling	Mercer
Andrew	Hoddinott	PricewaterhouseCoopers
Paul	Marshall	Prudential
Andy	Wells	Punter Southall Limited
Janet	Brown	Sacker & Partners
Peter	Esam (Chairman)	Travers Smith LLP
Averil	Logan	Watson Wyatt LLP
Peter	Sayers	Xafinity Consulting

### Public Relations

Caroline	Overton	Allen & Overy LLP
Robin	Hames	Bluefin
Jeremy	Goodwin	Eversheds LLP
Roger	Mattingly (Chairman)	HSBC Actuaries and Consultants Limited
Lindsay	Davies (Deputy Chairman)	Hymans Robertson LLP
Duncan	Howorth	Jardine Lloyd Thompson Benefit Solutions
Nicholas	Laird	Linklaters LLP
Mike	Ironside	Punter Southall Limited
Jason	Coates	Wragge & Co LLP

### Money Purchase

Adam	Potter	Aegon/Scottish Equitable
Ian	Neale	Aries Pension & Insurance Systems Ltd
Emma	Ward	Aviva
Simon	O'Reilly	Barnett Waddingham LLP
Gavin	Moffatt (Deputy Chairman)	Bluefin
Tony	Barnard	Capita Hartshead
Bob	Burse	FIL Pensions Management
Stewart	Mason	HBOS Financial Services
Mark	Bondi	Heath Lambert Consulting Limited
Paul	Armitage	HSBC Actuaries and Consultants Limited
Lee	Hollingworth	Hymans Robertson LLP
Simon	Mayho	KPMG LLP
Carol	Jones	Linklaters
Penny	Pilzer	Lovells LLP
Warren	Williamson	Mercer
Rachel	Low	MNPA Ltd
Jennifer	Bell	Nabarro
Simon	Tyler	Pinsent Masons LLP
Navneet	Bassan	PricewaterhouseCoopers LLP
Lynda	Martin	Prudential
Robin	Nimmo	Scottish Life
Malcolm	Winter (Chairman)	Standard Life Assurance

### Northwest

Damien	Garrould	DLA
Charlanne	Hodgkinson	Eversheds
Craig	Edmondson (Chairman)	Mercer Ltd
Edwin	Topper	Mercer Ltd
Liam	Fitzgerald	Pinsents

### Yorkshire

Edward	Spencer (Chairman)	Barnett Waddingham LLP
Richard	Hardy	Capita Hartshead
Max	Ballad	DLA Piper UK LLP
Matthew	Ambler	Eversheds LLP
Claire	Rogers	Hammonds LLP
Anthea	Whitton	Pinsent Masons LLP
Carl	Fletcher	Watson Wyatt LLP

### Scottish

Paul	Hamilton	Barnett Waddingham LLP
Irene	Campbell	Buck Consultants Limited
Bob	Purves	Buck Consultants Limited
Caroline	McGowan	Haymans Robertson
Graham	Hanna	Mercer
Liz	Hinchliffe (Chairman)	Pinsent Masons LLP
Louisa	Knox	Shepherd & Wedderburn

# APPENDIX II



## SPC Members as at December 31<sup>st</sup> 2009

Aberdeen Asset Management Ltd	Denton Wilde Sapte
Addleshaw Goddard	DLA Piper UK LLP
AEGON Asset Management UK plc	Entrust Pension Limited
Aegon/Scottish Equitable	Eversheds LLP
Allen & Overy LLP	ExactVal
AllenbridgeEPIC Investment Advisers	FIL Pensions Management
Aon Consulting	Freshfields Bruckhaus Deringer
ARC Benefits Limited	Gazelle Corporate Finance Limited
Argyle Consulting Limited	Grant Thornton
Aries Pension & Insurance Systems Ltd	Griffiths and Armour Financial Services
Ashurst LLP	GSAM
Aviva	HamishWilson & Co LLP
AXA Rosenberg Investment Management Ltd	Hammonds LLP
Baker & McKenzie LLP	Harvey & Clamp LLP
Baker Tilly Restructuring and Recovery LLP	HBOS Financial Services
Barlow Lyde & Gilbert	Heath Lambert Consulting Limited
Barnett Waddingham LLP	Herbert Smith
BBS Consultants & Actuaries LLP	Hewitt
Bluefin	HSBC Actuaries and Consultants Limited
Buck Consultants Limited	Hymans Robertson LLP
Capita Hartshead	INVESCO Pensions Limited
Capita Hartshead	Investec Asset Management
Capita Trust Company Limited	Irwin Mitchell
Capital Cranfield Trustees Limited	Jardine Lloyd Thompson Benefit Solutions
Capital Plans Limited	KPMG LLP
Cartwright Group Limited	Lane Clark & Peacock LLP
Charles Russell LLP	Lawrence Graham LLP
Compliant Solutions Ltd	Legal & General
Danamere Employee Benefits Ltd	Legal & General Investment Management Ltd
DC Solutions	Linklaters LLP
Deloitte Total Reward and Benefits Limited	Lovells LLP

→ Maclay Murray & Spens LLP	Royal London
Mazars LLP	Royal London Asset Management
Mellon Analytical Solutions Europe Limited	Sacker & Partners
Mercer	Scottish Equitable Employee Benefits
Metlife Assurance Limited	Scottish Life
Mitchell Consulting Actuaries Limited	Scottish Life Administration Services
Mn Services	Scottish Widows Investment Partnership Limited
MNPA Ltd	SEI Investments (Europe) Ltd
Nabarro	Shepherd & Wedderburn
Norfolk & Suffolk Pension Consultants	Simmons & Simmons
One Pension Consultancy LLP	Stamford Associates Limited
Optima Financial Services Limited	Standard Life Assurance
Osborne Clarke Pension Trustees Limited	Sterling Pension Management Limited
Paternoster UK Ltd	T J Green (Pension Consultants) Ltd
Pearl Group Limited	Technical Connection Ltd
Pensions Splitting for Divorce Limited	The Law Debenture Pension Trust Corporation p.l.c.
Pi Consulting (UK) Ltd	Towers Perrin
PIMCO Europe Ltd	Towry Law Financial Services Limited
Pinsent Masons LLP	Travers Smith LLP
Pope Anderson LLP	Watson Wyatt Limited
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PricewaterhouseCoopers LLP	Winterbourne Trustee Services Ltd
Prudential PLC	Wragge & Co LLP
Punter Southall Limited	Xafinity Consulting
Regent Pensions Ltd	YiG Consulting Limited