



PRESS RELEASE

FSA Financial Risk Assessment Must Not Add to Regulatory Burden Warns Pension Body

The Society of Pension Consultants has welcomed the publication of FSA's Financial Risk Outlook for 2006, but has warned that it must not lead to more regulation in the already over-regulated pension arena.

In a briefing for SPC's Financial Services Committee the SPC Secretary, John Mortimer, said

"FSA has suggested that trustees are becoming over-reliant on their consultants. Given the increased complexity and pressure of their position, trustees will often view it as essential, or indeed feel duty-bound, to seek and to follow specialist advice. There is at the same time evidence from the Myners Review of Trustees' Decision Making that they do challenge, and sometimes take a different view from, the advice they receive."

FSA also commented on the concentration of investment consultancy among a relatively small number of firms and the fact that some consultants advised both pension funds and asset managers.

John Mortimer said

"Myners looked into concentration in the investment consultancy market and concluded that, while there was concentration, this was not due to market failure but to the fact that the services offered are specialised and relevant to a relatively small number of users. FSA points to potential conflicts of interest between consultants advising both asset managers and pension scheme trustees. We suspect that the scope for conflict is in practice limited, since the two sets of advice would typically come from very separate parts of the business. Furthermore, if there are conflicts of interest, in the new environment we can expect trustees to be extremely aware of the need to identify them."

FSA has invited comments on its risk outlook and SPC will be talking to it on these areas.

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NOTES FOR EDITORS

SPC is the representative body for the providers of the advice and services needed to establish and operate occupational and personal pension schemes and related benefits. Its Members include accounting firms, solicitors, life offices, investment houses, investment performance measurers, consultants and actuaries, independent trustees and external pension administrators. 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 the advice and services.

The vast majority of the 500 largest pension funds use the services of one or more of its Members. Many thousands of smaller funds and individuals also do so. SPC's growing membership collectively employs some 14,000 staff providing pension related advice and services.