



## **PRESS RELEASE**

### Guidance from Myners must continue to be voluntary urges SPC

The guidelines offered to pension scheme Trustees by the Myners Principles must not contain any element of compulsion, warns the influential Society of Pension Consultants.

In its formal response to the review of the Myners Principles for institutional investment decision-making the SPC, whose members employ some 14,000 people providing pension-related advice and services, argues that the “comply or explain” approach which currently applies should continue to apply.

SPC Secretary John Mortimer says: “The Myners Principles play a useful role in drawing together in one place some sensible guidelines which trustees will often find useful. Equally, some trustees will entirely validly take the view that parts of the principles do not offer a model which they need to follow. It is therefore right that the principles should remain high level, and that adherence to them should be genuinely voluntary.”

The SPC expresses its dismay at the tone of the review’s conclusions on how well schemes have embraced the principles. Mr. Mortimer explains: “It is disappointing that the review appears to be written in a vacuum, with no recognition being given to the difficult legislative and financial environment within which defined benefit schemes have been operating since the Myners Principles were published. Bearing this in mind, we suggest that the review could have taken a more positive approach, which would have pointed less strongly in the direction of some of the changes in the principles which are now proposed.

“The analysis in the review seems to us to indicate that the principles are having a significant impact, but, given the range of other challenges which they currently face, schemes are, perfectly reasonably, concluding that it is more important to give early attention to some parts of the Principles than to others.

“Given our support for the “comply or explain” approach, we would have expected more emphasis to have been placed on the fact that, where schemes have not complied, there appears to have been relatively weak disclosure of why not. On the other hand, we are surprised, and indeed to

some degree concerned, at the disappointment that the review document expresses for example that 'only' 15% of schemes have overruled an investment consultant's recommendation."

The SPC feels it is right that trustees should fully address with their investment consultants all the relevant issues leading up to the giving of advice, but, having appointed expert advisers, points out that it is a very considerable step - not least in terms of compliance with the Pensions Act 1995 - to then overrule their advice.

Another area of particular concern to the Society, is the possibility that the proposed changes to the Principles will cost far more than expected, and will fail to deliver the much heralded benefits.

"The changes are presented on the basis that, while they will impose extra costs, there will be a gain in investment performance which ought to more than off-set those costs," says Mr. Mortimer. "We believe that assumed benefits of the amended principles are misconceived and that the additional costs are understated."

Finally the SPC is concerned that the numbers of people available to fill Trustee posts may diminish as a result of the Principles' implementation. The Society's response concludes: "The stated wish of the government to work with the pensions industry to strengthen the Trustee pool is welcome, but we are concerned that there are elements of the review which in practice would add to the existing pressures on the trust model and make strengthening the pool more difficult than it already is, and actually reduce the pool."

ENDS

For further details

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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.

