



PRESS RELEASE

Government under-estimates costs of Myners compliance

The Government's estimated bill for industry compliance with the latest revisions to the Myners' Principles for institutional investment decision-making is flawed. That was the clear message given to trustees and their advisers at a talk given to Society Pension Consultants' members this week (Tuesday 25th Jan).

Clifford Sims, senior solicitor at Hammonds, the leading pensions law firm, told his audience that although the Treasury had costed the proposed changes to the Principles at around £15m, the true cost of compliance would probably be much higher.

He said: "Apart from suggesting that the cost of 'very large schemes' (which means those with 5000 members or more) employing a full-time investment professional will be on average £40,000 p.a., which seems remarkably low, there are a whole raft of other recommendations in the latest proposals, such as establishing websites and instituting independent assessment and reporting mechanisms for trustees to tell members how they think they are measuring up to the Principles, which are simply not costed at all.

"Coupled with this, there are bound to be demands to pay trustee chairmen more than their fellow trustees if the extra burden of ensuring that all schemes have the appropriate skill sets for taking investment decisions falls directly on the chairman. As a matter of law, not only is this contrary to how the new Pensions Act 2004 approaches the requirement for trustees individually to make sure they know and understand investment principles, it also cuts across trust law principle of joint and several liability".

Mr Sims also questioned the Treasury's cost-benefit analysis of the latest proposals, by pointing out that although the global estimated costs to the industry had not changed greatly since the Government's 2002 Green Paper (when increased training costs alone were projected to be £17m over 3 years), the expected increase in investment returns seemed to have been rebased entirely.

He added: "Just over two years ago, the Government said that 'if performance increased by 0.05%, costs would be reduced by £350m', but now the

Government has scaled back its expectations from the Myners Principles to a more modest improvement of 1 basis point which, if viewed as an increased yield on UK equities alone, 'would generate £136.8m'. The goalposts seem to have moved both in terms of the benefit yield and the asset coverage: quite a considerable achievement!."

ENDS

For further details

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NOTES FOR EDITORS

Clifford Sims is a senior solicitor in the Pensions Department at Hammonds' London Office. Mr Sims is a member of the SPC Investment Committee and is also a member of the Association of Pension Lawyers' Investment Committee, although he was speaking in a personal, not a committee capacity for either organisation.

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