

Potentially April has been a very significant month for pension regulation; May I bring to your attention -

Victory for the Pensions Regulator (TPR) <http://www.thepensionsregulator.gov.uk/pdf/Section89Telent.pdf>

The above link will take you to the Regulator's report on the position of the GEC 1972 Pension Plan. GEC became Marconi, which collapsed in the telecoms bubble of the late 90s, the residual business was sold on leaving only a very large pension scheme and a £514m escrow account to top up any pension scheme shortfall. The pension scheme was effectively bought by the Pensions Corporation with a view to making money. The S89 report covers the role of TPR since autumn 2007.

TPR was apparently contacted by the GEC Plan trustees over concerns about the investment of the Plan. In particular there were concerns about **conflicts of interest** in respect of appointing trustees, setting investment strategy and appointing investment managers. The end result involves –

- An Undertaking by Pensions Corporation not to dabble in trustee appointment for the Plan and to use “best endeavours” to duplicate this approach in other pension schemes that it controls.
- A 3:3:3, independent trustee: MNT: employer appointed trustee Board to run the Plan.
- Preparing a Conflicts Protocol to formally identify and manage conflicts of interest going forward.

This appears to be a comprehensive victory for the Regulator and must bring into question the business model of Pensions Corporation. Regulators sometimes need to act quickly and this appears to be a good example.

Aside; As insurance companies, especially those with closed books of business, are increasing bought up for profit making purposes, perhaps we should not be surprised at the business model being replicated or attempted with occupational pension schemes. Thankfully some of the really dreadful administration and service standards experienced in these post acquisition insurance company situations have not been replicated in pension arena – a bonus of having trustees, trust law and a Pensions Ombudsman. Or should that be not yet?

Transfer Values http://www.opsi.gov.uk/si/si2008/pdf/uksi_20081050_en.pdf

The Occupational Pension Schemes (Transfer Value)(Amendment) Regulations 2008 (SI 1050) have been laid before Parliament. These regulations cover the new trustee driven transfer value regime from 1st October 2008. Five months may be a very long time in politics, but it is not a long time in terms of pension administration, consultancy advice, trustee decision and computer system adjustments. That said few pension schemes are likely to see radical change from the current Scheme Actuary advised regime. Although trustees will in future be responsible for the actuarial assumptions (discount rates and longevity assumptions etc), I expect that few if any trustee boards will act without the continuing guidance of their Scheme Actuary. Given that most pension schemes will have at least initially tackled the new scheme specific actuarial valuation process, there will undoubtedly be some significant familiarity with –

- prudent financial assumptions and the risks and variations associated with the scheme investment strategy;
- prudent statistical assumptions including longevity improvement, commutation etc;
- reasonable or best estimate assumptions for recovery plan purposes and of course
- funding levels, on technical provisions and for the more distressed cases PPF coverage.

Whilst there may be some consolation for trustees in knowing that transfer value payments are by member choice, it will become increasingly rare for trustees to not explicitly recommend that members take independent financial advice in giving up increasingly rare private sector defined benefit promises.

And finally; Researchers at City University have proved that there is an increased incidence of death among bereaved spouses in the year or so after the death of their life long partner. “Heartbreak” is sadly a fact of life. I suspect we all have anecdotal evidence of just that effect. The better news of increasing life expectancy is the fact that after age 65 your life expectancy increases by approximately 5 hours for every day you live. For some readers who have taken five minutes to read this page, I hope you will look forward to a very happy extra minute rather than regretting the use of four!

As always, for further comment, assistance, advisory or trustee services, contact me on 07714 064964 or via allan@acmca.co.uk Feedback on Pension Snippets is always welcome. For further details, the full CV, occasional lecture notes and published articles and previous Snippets - visit the web site at www.acmca.co.uk