

The Combined Code

[http://www.frc.org.uk/documents/pagemanager/frc/Combined_Code_June_2008/Combined%20Code%20Web%20Optimized%20June%202008\(2\).pdf](http://www.frc.org.uk/documents/pagemanager/frc/Combined_Code_June_2008/Combined%20Code%20Web%20Optimized%20June%202008(2).pdf)

The Financial Reporting Council (FRC) is the UK's independent regulator of financial reporting re. companies, auditors and actuaries. The Combine Code (of corporate governance) for company reports was re-issued in June. Some of the slightly edited main principles, which involve a “comply or explain” (why not) approach, are listed with a suggested pensions *parallel* –

- Every company should be headed by an effective board, which is collectively responsible for the success of the company. *Ditto every pension scheme and the running of the scheme.*
- There should be a clear division between the running of the board and the running of the executive function. *Trustees should direct and have appropriately skilled administrators and advisers.*
- The board should have a balance of executive and non executive members (particularly independent non executives). *Independent trustees, employer and member nominated trustees (MNTs) are important to ensure a full and balanced view from all stakeholders, whilst acknowledging conflicts of interest!*
- There should be a formal, rigorous and transparent process for the appointment of new directors. *Stet.*
- All directors should receive induction on joining and regularly update their skills and knowledge. Directors should receive timely and quality information. *Trustee knowledge and understanding and appropriate adviser support are the unsurprising Pensions Regulator concerns.*
- The board should undertake formal and rigorous appraisal of its own performance, its committees and individual directors. *More difficult when trying to encourage MNTs but a necessary challenge.*
- All directors should be submitted to re-election at regular intervals. *Stet*
- Levels of remuneration should attract, retain and motivate directors of quality. *An old Myners challenge in respect of investment expertise and a good, but not the only, test of addressing things seriously.*
- The board should present a balanced and understandable view of the company's prospects. *Members might therefore expect something more than “looking out the back window” statutory accounts and generally unaffordable solvency valuation deficit quotations.*

Winding Up

<http://www.thepensionsregulator.gov.uk/pdf/WindingUpGoodPractice.pdf>

The Pensions Regulator's “Winding up: avoiding delays” good practice guidelines is a very useful 24 pages of common sense experience designed to speed up and reduce the cost of pension scheme wind ups. The guidelines include an example project plan with a broad outline of the main tasks required in a wind up process. Pleasingly the one task identified as necessary throughout the wind up process is member communication. In my experience getting on top of this aspect is crucial. Unsurprisingly there are lessons for schemes not winding up and I would merely commend the following on the basis of “If you haven't already tackled these issues, why not?”

1. A review of the Scheme's Trust Deed & Rules.
2. Ensuring that all advisor contracts are robust and appropriate.
3. Regular checking and cleansing of data and regular member tracing exercises.
4. Reconciliation of contracted out liabilities - contributions, earnings and pensions.
5. Equalisation of scheme benefits.

Just as “breaking up is hard to do” may be an old saying, perhaps even a song, there are certainly some parallels in winding up pension schemes and it is never too soon to do something about it before the hourly time cost charges may start and an apparent administration contract jugular or perceived blackmail clause is sensed!

And finally; The Financial Services Ombudsman has received the backing of the Court of Appeal. What is fair and reasonable - “may be flexible and (subject to judicial review) (be) for the ombudsman and not for the courts to discern”. See <http://www.bailii.org/cgi-bin/markup.cgi?doc=/ew/cases/EWCA/Civ/2008/642.html&query=Heather+Moor+&+Edgecomb+Ltd&method=all> Is the law possibly going to become less of an ass? And will the Pensions Ombudsman follow suit?

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