

Regulating defined benefit pension schemes

Consultation response form

The closing date for this consultation is **Friday 7 February 2014**.

Please complete and return your response form to the address at the end of the form.

Your details

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Please indicate which category best describes you or your organisation/company:

Please choose an option

If you answered 'Other', please specify: Occupational Pensioners Alliance representing 35 Pensioner Associations covering 1 million members

Confidentiality

We may need to share the feedback you send us within our own organisation or with other government bodies. We may also publish this feedback as part of our response to the consultation. If you wish your response, in whole or in part, to remain confidential, please tick the box below:

Yes, I wish my response to remain confidential

If so, please specify which part of your response you wish to remain confidential and why:

Please be aware that we may be required to make your response available should we receive a formal request under the Freedom of Information Act.

Consultation questions

Please explain the reasons for your response as far as possible. Where you disagree, it would be helpful if you could provide some views on possible alternative approaches. Each question has a box for you to add comments (these can be pasted from other documents).

New objective on sustainable growth

1. **Is our new objective on sustainable growth adequately reflected in the approach outlined in the draft consultation documents? If not, what more could we do to reflect the new objective?**

YES NO

We understand it has been left to the Regulatory Bodies to define it in their area of responsibility which in the current global economic and financial conditions is rather premature

2. **Is our interpretation of sustainable growth appropriate?**
(Paragraph 4-9 of funding policy)

YES NO

No guidance provided or examples

Code of practice

3. **Does the practical guidance set out in the revised code reflect your experience of what good practice looks like? If not, why not?**

YES NO

This has been overdue since 2008 when it was indicated as necessary and inevitable for the Employers Covenant requirements to be strengthened

4. Is the approach to risk management set out in the code useful? If not, why not?

YES NO

5. Does the revised code provide sufficient practical guidance for trustees in relation to:

a. Working with employers and advisers?

YES NO

However we do think that smaller/medium sized scheme trustees will need significant support and expert advice and may not be able to cope technically

b. Assessing and monitoring the employer covenant?

YES NO

Similar Response as in 5(a)

c. Assessing reasonable affordability, including understanding the impact on sustainable growth?

YES NO

Likely as in 5 a&b

d. Their investment strategy?

YES NO

Likely as in 5a,b,c

e. Technical provisions and recovery plans?

YES NO

As in 5a & b but Trustees likely to require considerable support and expert advice which will be very expensive

f. Any other issue not mentioned above?

YES NO

Trustee Toolkit and Training will probably need more time and resource as Individual Trustees may not feel qualified and have capacity to cope with financial knowledge aspects etc

If not, what further guidance would you find useful?

6. What, if any, significant administrative cost does the revised code impose on schemes and employers?

Could be significant for smaller organisation and can only be assessed by testing and sampling

Regulatory strategy

7. Does our strategy, focused on 'protecting accrued rights to benefits through adequately funded and supported and well governed DB schemes', with risks identified and mitigated in a proportionate and balanced way, reflect the proper balance of all our objectives? (Paragraphs 5-13)

YES NO

8. Where risk has already crystallised, should our focus be on managing the impact of that risk to achieve the fairest and best possible outcomes in the circumstances? (Paragraph 13)

YES NO

Funding policy

9. Do you agree with our priorities for the regulation of DB scheme funding?
(Paragraph 14)

YES NO

10. Is our risk assessment approach, focusing on key areas of covenant, funding, investment and governance risks, useful? (Paragraphs 21-30)

YES NO

Overdue in view of growing number of employers experiencing actuarial deficits due to previous underfunding

11. Is our broad approach to segmenting the landscape in order to tailor our policy and operational approach appropriate? (Paragraphs 31-33 and Appendix A)

YES NO

We believe so

12. Is our proposed policy focus for the different covenant strengths appropriate?
(Paragraphs 34-37 and Appendix B)

YES NO

13. We use a broad suite of risk indicators to assess scheme risks in the round. Is this the right approach? (Paragraphs 38-43 and 48-49 and Appendix C and D)

YES NO

14. Do you think that our proposed Balanced Funding Outcome indicator is useful to
- a. Measure risk in the system?

YES NO

b. Inform our approach to prioritising schemes for further investigation?

YES NO

Probably but testing and sampling will determine this

c. Inform our approach to measuring our impact?

YES NO

(Paragraphs 39-43 and Appendix C)

15. Our policy for targeting our resources where we can have the greatest impact takes account of the level of risk, including scheme size. A greater proportion of interventions will, therefore, be in larger schemes, with smaller schemes generally being regulated through education and other targeted approaches such as portfolio reviews.

a. Is it right that our risk bar for intervention takes account of the level of risk posed by schemes and their size?

YES NO

Probably but we are concerned about the bias towards larger schemes as we believe the medium to smaller companies will struggle to cope

b. Is education the most effective and proportionate way of regulating across a diverse landscape?

YES NO

Though education and training will be necessary individual trustees are not always elected or appointed because of their ability to cope with the growing qualifications and competences.

(Paragraphs 52-53)

16. Is proactive engagement an effective way of engaging with schemes and targeting our resources in order to achieve balanced outcomes?

(Paragraphs 58-60)

YES NO

More Direct advice and support

17. Is our proposed approach to measuring the impact of our regulatory approach appropriate? If not, do you have any suggestions? We are particularly interested in your views on how we should be measuring success against our new objective on sustainable growth? (Paragraphs 82-85)

YES NO

Needs more debate and discussion with training professionals

Any additional comments

18. Are the documents structured and drafted in a way that makes it easy for you to understand the key messages and issues? How could they be improved?

YES NO

19. Are there any other comments which you would like to make on the proposals contained in these consultation documents?

YES NO

Thank you for taking the time to respond to this consultation.

Completed response forms and other responses should be emailed by **Friday 7 February 2014** to:

DBConsultation@thepensionsregulator.gsi.gov.uk

Alternatively they can be posed to:

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