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The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

Dear Sirs

Consultation on winding-up

I am writing on behalf of the Association of Consulting Actuaries, in response to the consultation on winding-up by the Pensions Regulator, Pension Protection Fund and Financial Assistance Scheme.

Members of the Association are all qualified actuaries and are subject to the code of professional conduct of the Faculty and the Institute of Actuaries. Advice given to clients is independent and impartial. ACA members include the scheme actuaries to schemes covering the vast majority of members of defined benefit pension schemes.

The ACA is the representative body for consulting actuaries, whilst the Faculty and Institute of Actuaries are the professional bodies.

We welcome most aspects of the tripartite regulatory statement. The documents identify where delays can commonly be experienced, and outline some possible solutions.

We are supportive of the intention to complete most work relating to a wind-up within two years, and would have liked to see the following proposals included:

- We cannot believe that it is in the interests of pensioners generally that GMP equalisation remains an area which requires significant legal and actuarial advice and cost. The regulatory bodies should encourage the Department for Work and Pensions to develop legislation that allows this issue to be resolved with certainty.

- We would like to see work with NISPI to try to establish ways of speeding up GMP reconciliation.

We hope that the Regulator will establish initiatives with all parties, including legislators, to simplify winding-up.

Our comments on each of the issues raised can be found in the Appendices to this letter, covering the proposed Regulatory Statement and Good Practice Guidance.

We hope that you find our comments of assistance.

Yours faithfully

Charles Young
Chairman
Pension Scheme Committee

Appendix A – Regulatory Statement

A1 Have you any other suggestions on how the regulator, PPF and DWP in respect of FAS can work together so as to ensure approaches are aligned in a way that contributes to speeding up wind-ups and schemes passing through an assessment period?

GMP reconciliation work can take a significant time to complete, with delays caused by parties including NISPI. Problems with the Shared Workspace have caused delays. Speeding up this part of the process will be a great assistance.

GMP equalisation typically requires careful consideration by trustees before a wind-up can be completed. Ensuring the relevant bodies provide a consistent message on this issue will help.

Securing annuities with small amounts of accumulated AVCs can be difficult, particularly during PPF assessment periods. It would help if the PPF were to take on these benefits.

A2 Do you agree with the exceptions we have specified for schemes winding up? If you consider there to be a case for further exemptions, what is the evidence for this?

We agree that the exceptions listed are appropriate. One point that may benefit from clarification is the exception "where early wind-up is not in the members' best interests". It is not clear whether this is intended to include taking investment risks in the belief that this will increase members' benefits. We presume this is not the intention, but this should be clarified.

A further exemption may be appropriate for large (industry-wide) sectionalised schemes, where the wind-up of individual sections may need to be prioritised with work on the continuing sections.

A period longer than two years might also be more realistic for more complicated cases, such as underfunded cases which are not accepted for PPF entry. This would reflect the two stage process and more complicated benefit calculations required for these cases.

Appendix B – Good Practice Guidance

B1 Is the structure and layout logical and easy to navigate?

Yes, but we would expect the guidance to grow significantly over time. One improvement might be to separate the guidance relating to ongoing schemes from that relating to schemes actually in wind-up.

B2 Do you think the key issues that cause delays to wind-ups have been identified? If not, please provide details of other issues you think should be included and explain the difficulties you have faced, providing good examples where possible.

The guidance covers many issues relating to solvent wind-ups and PPF assessment cases. Other issues which can cause delays, and which you might consider commenting on, include –

- The buyout broking process
- Obtaining appropriate trustee indemnity insurance
- The need to review actuarial factors
- Reviewing discretionary practices to secure specific benefits

B3 Do you think the good practice guidelines outlined will help you deal with the issues efficiently? Are you aware of any other guidelines that should be included?

The guidelines will assist trustees and sponsoring employers deal with the issues efficiently. It is likely that advisers will be aware of many of the issues raised from their experience of actual wind-ups but capturing the key information in one document is helpful.

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