

Private Pensions Policy and Analysis
Department for Work and Pensions
Caxton House
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London
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15 May 2014

BETTER WORKPLACE PENSIONS: FURTHER MEASURES FOR SAVERS

I am pleased to respond to this consultation on behalf of the FRC, the UK's independent regulator responsible for promoting high quality corporate governance and reporting to foster investment.

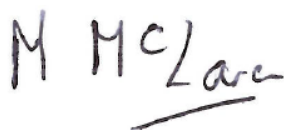
The FRC sets UK accounting, auditing and technical actuarial standards, maintains the UK Corporate Governance Code and Stewardship Code, and oversees the professional regulation of auditors, accountants and actuaries in the UK. Under DWP disclosure regulations, our actuarial standard AS TM1 specifies the methods and assumptions – including the allowance for future charges and expenses - which must be used in providing annual Statutory Money Purchase Illustrations (SMPIs) for defined contribution pensions.

We support the DWP's approach and welcome moves to improve the governance of pension arrangements.

Our responses to the questions are contained in the appendix.

Please do not hesitate to contact me if you have any questions or we can help in any other way.

Yours sincerely



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Better workplace pensions: Further measures for savers

Answers to Questions

Administration

1. We would welcome views on the potential benefits of accreditation of administrators, and what role government and regulators could play in supporting this.

Not answered

2. We would also welcome suggestions of other approaches to helping trustees and Independent Governance Committees (IGCs) ensure that their scheme is being administered to a good standard.

Not answered

Mastertrusts

3. Should mastertrusts have to meet the same independence standards as providers of contract-based schemes?

Not answered

4. We would welcome views on the proposed definition of ‘independent’ at Annex B.

We support the proposed definition and note that there is consistency with paragraph B.1.1 of our UK Corporate Governance Code which covers independence of non-executive directors of companies.

5. Should the independence requirements be applied in different ways to different models of mastertrust. In particular, how should the independence requirements be applied to mastertrusts that use an independent trustee firm to act as their corporate trustee?

Not answered

Trust-based governance

6. We would welcome views on the proposed quality standards for trust-based governance which are summarised at Annex B.

We have assessed the proposed standards in the light of our own experience of good governance as codified in the Corporate Governance Code and note:

- The duties of IGCs might be extended to include risk management and the assessment of the quality of outsourced arrangements.
- The governance standards of the IGC could include a requirement for a regular evaluation of the IGC's performance.

7. Are the requirements listed at paragraph 5 the right quality standards to be set in the regulations for trust-based schemes??

It is suggested that the Chair must produce an annual report. We suggest that the trustees should collectively have this responsibility.

8. Should trust-based schemes be required to have a chair of trustees?

We agree that trust-based schemes should have a chair of trustees.

9. Will the new reporting requirements help drive compliance with the standards and regulation of these?

In our experience reporting encourages appropriate behaviour.

Transparency

10. We would welcome views on how these transparency requirements could be made to work effectively in unbundled trust-based arrangements (including mastertrusts).

Not answered

11. We would welcome views on whether the transparency requirements we propose for DC schemes should, in the future, be extended to DB schemes, to enable sponsoring employers to further scrutinise the costs of such schemes.

We consider that it would be worth carrying out further work to consider how there could be increased transparency for DB schemes. The draft text of the revised IORP Directive brings in new requirements on governance and communication for pension schemes and we would suggest that a review of the requirements for DB schemes should be carried out with this in mind.