

NAPF RESPONSE TO THE PENSIONS REGULATOR'S CONSULTATION ON ABANDONMENT OF DEFINED BENEFIT PENSION SCHEMES

INTRODUCTION

1. The NAPF welcomes the opportunity to comment on The Pension Regulator's proposed stance on the recently arising practice known as "abandonment".
2. The NAPF represents company pension schemes. Over 10 million people are currently accruing pension rights in the schemes we represent. A further 5 million people are today receiving pension payments from our member schemes. NAPF member manage pension scheme assets worth around 800 billion pounds.

OVERALL POSITION

3. The NAPF strongly opposes any measures intended to undermine the value of the employer covenant where this harms the interests of pension scheme members ("abandonment").
4. We accept, however, that many employers may wish to reduce or transfer the risks associates with operating a DB pension scheme and we support such practices where there is no detriment to scheme members.
5. We welcome the TPR's initiative in highlighting this issue and in providing helpful and informative guidance to pension scheme trustees.

RESPONSE TO CONSULTATION QUESTIONS

6. The NAPF's response to the six questions listed in the consultation are set out below:

Q.1 – Are there any other products or methods that have been introduced to manage pension risk that are not covered in Chapter 1?

-While we are certain that the range of innovative methods to help manage pension risks are likely to extend beyond those so far identified, we do not have specific knowledge of any at present. If we learn of any, we shall inform the regulator.

Q.2 – What level of take-up of such products by schemes are you aware of or do you expect to see?

-We are not aware of a major take-up of such products. We believe the TPR's statements on this issue are likely to discourage wide scale adoption of this practice.

Q.3 – Do you agree with the analysis and reasons why abandonment can rarely be justified?

-Yes.

Q.4 – Do you have knowledge about types or formats of transactions involving pension schemes that may be classified as abandonment as described in this paper? If so, what form do these take?

-No.

Q.5 – Chapter 6 sets out draft guidance to trustees to help them identify and deal with proposed transactions that could result in abandonment of pension schemes. Do you find the guidance relevant and helpful?

-Yes.

Q.6 – Do you have any feedback on the content of the proposed guidance on abandonment?

-We suggest that the TPR should provide additional guidance on this issue as specific cases to come to light. In this way, trustees will be able to build up a clearer sense of which arrangements might be considered as "abandonment" and, as a result, be better able to take any necessary action.

CONTACT

If you would like to discuss any of the issues set out in this response, please contact Nigel People, Director of Policy, NAPF (nigel.people@napf.co.uk, tel. 0207 808 1309).