

SOAP BOX is a periodic opportunity for ITS Directors to pen a few thoughts on industry issues of particular interest to them. In this second edition, Business Development Director **Terry Monk** reflects on the changes in the professional Trusteeship market since he "retired" in August 2008.



It is now over 12 months since I retired from full time employment with ITS and whilst still actively involved with the business on a part time basis, I have borrowed the Soap Box to reflect on the last 12 months and how I have seen the Independent Trustee market develop.

I strongly believe that professional Trusteeship demands full commitment and is not a job for the semi-retired. My role now covers the development and growth of new appointments plus continued involvement with the progress of the Financial Assistance Scheme both on behalf of ITS and through my involvement with the Pensions Action Group (PAG).

The Trustee market

The demand is greater than ever and I see this being generated by a combination of increasing complexity coupled with lay trustees not only having to keep up to speed with ever changing pension regulations but also now needing to have a much greater and ongoing understanding of the corporate and financial affairs of the employer.

The demand on trustee's time and knowledge is such that, sadly, many would-be trustees are avoiding "volunteering" for the job. Another area causing difficulties is where there is conflict between the trustee's day job and their responsibility to both the employer who pays the salary, and to scheme members.

Sadly as a reflection of the current financial climate we are experiencing a number of corporate transactions designed to reduce or remove the pension liabilities from the balance sheet which is again increasing the pressure on trustees.

Unfortunately there seems no end in sight to the closure and winding up of defined benefit schemes and the challenges trustees face, whatever decisions they are making about current and future provision of occupational pension benefits.

With the announcement by Alastair Darling about the postponement of personal accounts I believe there will be an increasing focus on how replacement DC schemes are being run and the communication to members of benefit expectations.

In all a world that in the time since I "retired" continues to become more complex and challenging

Financial Assistance Scheme

The Financial Assistance Scheme (FAS) was introduced as a result of a long campaign by the Pensions Action Group representing some 140,000 people who had lost some or all of their pensions as a result of the insolvency of their employer or the winding up of an under funded pension scheme.

In December 2007 the Government announced a series of improvements to FAS which in many ways brought it into line with the Pensions Protection Fund which was introduced in April 2005; just in time for the MG Rover insolvency.

Since December 2007 there has been a vast amount of detailed regulation bringing the improvements into effect and along with other professionals and the Pensions Action Group, ITS have been closely involved with the consultations and regulations that followed including meetings with Ministers, the Opposition and the DWP.

There is still a lot of work to be done and there are still some areas of the FAS package that concern me and I will be working with PAG and the Government to resolve as many issues as possible.

The headline of 90% of what was lost was generally welcomed but the actual benefits emerging mean that even if 90% was correct it only remains so for a very little time

The Financial Assistance Scheme does mirror PPF in many ways but it fails to achieve the following for FAS members;

- Early access unless the member is seriously ill
- Any or very limited tax free cash where the share of fund is nil or very small
- Recognition of a benefit date earlier than May 2004 when FAS was announced by the Government (after much pressure and prominent demonstrations)

In addition the 90% myth is exposed by:

- Limited post wind up revaluation
- Very limited post retirement increases as it only applies to post 1997 service and whilst this is the same as PPF as each year that goes by so the proportion of post 97 service for PPF members increases
- The unfair imposition of the cap which is to the detriment of long serving members of pension schemes

The Pensions Action Group continues to meet with all political parties and has support to resolve some of these unfair anomalies in FAS from the current opposition parties

As trustees ITS is still involved with a lot of schemes where the assets have not been used to purchase annuities and are being transferred to the Government following the outcome of the Andrew Young review in 2007.

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