



The Association of Professional  
**Pension Trustees**

## **The Pensions Regulator**

### **Draft compliance and enforcement policy in relation to occupational defined contribution trust-based pension schemes**

#### **Response from the Association of Professional Pension Trustees**

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#### **Introduction**

The Association of Professional Pension Trustees was formed in 2012. Its aims are to:

- encourage and promote the highest professional standards in those who practise as professional pension trustees
  - promote the role of professional trustees.
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#### **DC risk framework**

We agree that in general where smaller schemes are trust-based, the trustees of such schemes are more likely to pay insufficient attention to their responsibilities than larger schemes and this may have an adverse impact on member's outcomes. It is accordingly reasonable for the Regulator to focus on areas where it is perceived that risk is greater but the Regulator and its staff should be aware at all times that a scheme's inclusion in a risk category does not necessarily mean it will be performing unsatisfactorily.

The four key risk areas have been accurately identified but the way schemes operate their controls and seek to mitigate these risks will vary enormously from scheme to scheme depending on such factors as size, skill set of the individual trustee members, whether there is a professional trustee in place and relations with the employer. We would also suggest that more focus is directed towards the securing of benefits at retirement where the potential for a poor member outcome is heightened and which could undermine previous good governance.

#### **Monitoring DC provision**

We endorse the thematic approach to the monitoring of DC provision on the assumption that the demands made on trustees and advisers are reasonable, proportionate and unlikely to incur unnecessary expense. The meeting with stakeholders was reassuring on this point.

It is clearly right that collection of data can lead to more specific investigations and enforcement action. Again the meeting was reassuring that there was an understanding that enforcement of legal requirements and encouraging compliance with codes of recommended practice were distinct objectives. The comply or explain approach is a reasonable one providing it is recognised that there are circumstances where explaining rather than complying is an appropriate response.

### **Enforcement Approach**

We think it would be helpful if as promised the results of surveys are published and such publication should give appropriate emphasis on what is good and successful in DC provision. Clearly the Regulator's work requires dealing with the unlawful and unsatisfactory. There is a danger that over emphasis on the negative will reinforce what might be regarded as widespread and often unjustified suspicion of the value of saving for retirement in pension vehicles.

### **Association of Professional Pension Trustees**

**31 October 2013**